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A HISTORY OF POLITICAL ECONOMY.

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WITH AN INTRODUCTORY NOTE BY EDMUND J. JAMES.

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INTRODUCTORY NOTE.

There is a singular dearth of histories of political economy in the English language. The older works on the subject—McCulloch and Twiss—are valuable and suggestive; but strike the student of to-day rather by what they have not than by what they have. Blanqui's book is rather a history of industrial systems than a treatise on the history of economic science. Dr. Ingram's work is a very useful book, with a special value owing to its emphasis of the sociological point of view; while the new edition of Cossa, invaluable as it is, must be considered rather as a guide to the bibliography of Political Economy than a treatise on its history. All taken together leave the field still fairly open to the scholar who will undertake to give us a comprehensive treatise on the subject, and English literature is still far behind the German, for example, in this respect.

In this branch of science, as in some others, moreover, the tone and method of a work are determined very largely by national peculiarities, and whenever a nation has made serious contributions to the literature of any subject falling within the scope of the moral or social sciences, its historians are nearly certain to represent a new point of view, to have a new and fruitful perspective. In no country for the last twenty years has more active and thorough intellectual work been done in the department of political and social science than in Germany, and German scholars have turned out in rapid succession valuable treatises in nearly every department of economics and finance. As the intellectual work of every

nation is an outgrowth of the past, the early products of a nation's thought acquire a new and different value as soon as the later ones have risen to really first rank.

The economic writings of German thinkers of the early and middle periods of this century have, consequently, acquired of late an interest for the whole world which they never would have obtained had it not been for the really high-class work done by recent authors.

A German historian of political economy, therefore, will be nearly sure to give to German thinkers at least their due, and thus help us to a more correct appreciation of the relative importance of German contributions to this great subject.

The following account of the history of political economy is brief, but it presents, nevertheless, the German point of view as no other publication in English does at present, and on that account it forms a desirable supplement to other works dealing with the same topic.

Professor Cohn's work is so well known in Europe and America that it would be superfluous for any one else to vouch for its scientific character. He has, himself, been one of the most prominent contributors to recent economic science in Germany, and, in addition to writing many valuable monographs, he has been one of the few who have succeeded in making a systematic treatise on economics and finance, which is at once scientific and readable.

The present book is a translation of the chapters on the history of Political Economy in that work.*

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* The full title of the work is: "*System der Nationalökonomie.*" Two Vols. pp. 649 and 796, Stuttgart, F. Enke, 1885. The part presented in this book is the third chapter of the first book; pages 91 to 181 of the first volume.

CHAPTER I.

ECONOMIC HISTORY AND THE HISTORY OF ECONOMIC SCIENCE.

Every science can be traced to two sources. Some of its rudiments will be found in an older body of knowledge, or parent science which contained the germs of the derived system until following the law of division of labor, they developed into an independent science; others are to be sought for in those useful ideals, commonly designated as practical, which, by the exigencies of human development, always precede the period of scientific thought.

In previous efforts to shed light upon the early history of political economy, both these lines of investigation have been pursued, but the second has received by far the most attention, for the simple reason that before the stunted stem of the parent science had developed sufficiently to contribute materially to the growth of its off-shoot, political economy was in full bloom. The more profitable, therefore, has been the examination of the history of economic activity in search of the intellectual import of its manifold expressions. The literature of the contemporary questions, the views of legislators and statesmen as well as legislation itself have been studied to see what lines of thought they might reveal.

Science is distinguished from practical thinking, which serves only the needs of the hour, by the fact that it looks beyond the narrow range of what is momentarily practical. It is the task of science to elevate speculation

concerning the permanent bases of existence and creation to the dignity of an independent calling. In so doing it serves the needs of the day, by treating everyday questions from the higher standpoint of permanent principles, but its own insight penetrates the entire body of phenomena, and reaches therefore beyond the transient aspects of practical necessities. Such being the nature of science, we undertake surely no unworthy task in seeking out her antecedents in the practical affairs of life; in so doing the history of economic science will show important relations with the history of economic activity. The history of the science must, however, carefully distinguish between the science itself and these antecedents, which in themselves are not science. The fact that it is notably the first scientific systems of political economy which cannot deny the earthy flavor of their temporal and local environment proves nothing to the contrary. The emancipation of thought from bondage to complete scientific freedom is a gradual process. If these first scientific systems have proven their calling by presenting a clearly defined and logical arrangement of the material at their disposal, their close relation to the practical ideas of the times is no hindrance to further progress, but merely a natural survival of the pre-scientific period. At the same time we should be forced to despair of the future vocation of science if such survivals could not gradually be eliminated, for if political economy is to assert its own peculiar rights and attain its proper significance it must advance steadily toward the goal where pure speculation is unsullied by the disturbing influences of the moment. But this goal will never be reached until the science unconditionally recognizes this duty and no longer pretends that the uncertainty which still results from the disturbing

influences of temporary movements, factional strife and national characteristics, is a necessary element of scientific thought. To do so is to claim that unconverted ore ready for the furnace is finished steel ! On the contrary, by the refining process of science, thought should be brought to such a degree of purity that its irresistible logic succeeds in forging even the crude ore of practice into glistening metal.

The traditional history of political economy, which originated with Adam Smith and has been handed down to the present time, has not always clearly recognized the distinction which is here emphasized. In the crude form in which it emanated from its author only to be repeated hundreds of times without criticism, this history ignores everything of earlier date and from impressions derived from the practical affairs of an eighteenth century environment, it constructs a scientific system, which it compares with that of the Physiocrats, the first creators of a real system of political economy. The superior wisdom of the theories of the historians follows the delineation of these previous efforts. The rapidity of the historical development, thus portrayed, calls to mind the later socialistic view of society according to which within a century or even half that period, three great social epochs have followed one another.

As the literary history of political economy was further developed, especially by German science, the investigation of the earlier writings became more extended and more profound. The wholly unhistorical conception of pre-scientific economic ideas, inherited from Adam Smith, has been rectified by a series of special investigations. In place of an obscurity, altogether inadmissible in any historical survey of the subject, we

have gained abundant light upon the earlier ideas regarding the nature of economic life. Even in these commendable efforts, however, the distinction we have emphasized has secured inadequate recognition; inasmuch as the numerous traces of the economic ideas which preceded the scientific period though worthy of attention in themselves, only become truly valuable when studied in their relation to the economic history of the age and country which produced them.

Especially characteristic of such a method of treatment is the fact that, while these researches were industriously pursued for the sake of proving over and over that even in the fifteenth, fourteenth and thirteenth centuries, there were people here and there who knew that twice two are four; at the same time the great scientific systems received no adequate investigation as regards either their scientific content or their practical significance in the environment of their age.

CHAPTER II.

THE PREPARATORY PERIOD OF SCIENTIFIC POLITICAL ECONOMY.

Adam Smith, in his work on the Wealth of Nations (Book IV), says that the object of political economy being to provide the people, and consequently the state, with a plentiful revenue, "the different progress of opulence in different ages and nations has given occasion to two different systems of political economy," the commercial or mercantile, and the agricultural. The first he describes as follows: It is a popular notion that wealth consists of money or of gold and silver. "A rich country, in the same manner as a rich man, is supposed to be a country abounding in money. . . . In consequence of these popular notions, all the different nations of Europe have studied, although to little purpose, every possible means of accumulating gold and silver." "It would be ridiculous," Smith continues, "to go about seriously to prove that wealth does not consist in money." But since that was the dominant conception, there was nothing left for the countries which had no mines but to secure the importation of the precious metals by an excess in the exports over the imports of commodities, and it became the great object of political economy to diminish the importation of foreign goods and increase the exportation of domestic products. "Its two great engines for enriching the country, therefore, were restraints upon importation and encouragement for exportation."

After this delineation of the subject Smith examines the legislative measures of the "mercantile system," and

touches upon a variety of historical material, reaching as far into the past as the "old statutes" of Edward III. Later, in speaking of the Physiocrats, he makes special mention of Colbert as an object of widespread antipathy, a man "who had unfortunately embraced all the prejudices of the mercantile system."

There is certainly no indication that Smith gives us this account of the existing economic policy as a description of the economic science up to his time. An undertaking so incredible was reserved for his successors. The superficial manner in which the entire intellectual content of this economic practice is described, is in itself astounding. How is it possible, we ask, that a person with any trace of historical feeling could accept a notion "too ridiculous" to be seriously refuted as the expression of all the wisdom embodied in the economic policy which had ruled the world up to that hour? What Smith says further on of the agricultural system of the French philosophers retracts what he had at first conceded as to a relative justification in temporal and local conditions; for he limits the system to the speculations of a few men of great learning whose errors would never do any harm. How is it then possible that an entire century should have thoughtlessly repeated this naive conception until it had constructed from it a literary history of political economy?

It is the self-consciousness of youth in a new science which naively considers everything it possesses as its own work or the creation of its own age. The same is seen in the subjective originality of an individual in his youth. Stuart Mill says that, in the present advanced condition of sciences, originality is only attainable through a comprehensive knowledge of the investigations which others have made. But it is not only of science in its

present state of development that this is true. Every science, even the new chemistry and political economy of the eighteenth century, is connected with an extensive work of preparation. These preparatory labors, however, are, like efforts at isolated points and without definite plan which simply break up a rocky mass which is to be tunneled until the time comes when they can be united in a common passageway which leads straight through the middle of the ledge. Originality in science is nothing more than the superior energy which avails itself of previous attainments and urges the work forward under the refreshing influences of new methods, new points of view, and new relationships.

The originality of the new political economy of a century ago cannot be understood without a proper appreciation of the antecedent doctrines of moral philosophy and natural law, as well as the numerous monographs on current economic questions.

A more careful comparison of Adam Smith—whose services, great though they are, have long been overestimated—with his French predecessors and contemporaries, suffice to show that his oft-repeated criticism of the literature and history of the "French philosophers" utterly fails to do justice to the development of speculation upon economic topics which had taken place up to his time. For, however often this distorted account of the alleged three systems has been repeated in the textbooks, the real truth of the matter, as shown by Knies and his successors, is simply this: The so-called mercantile system is an arbitrary unhistorical summarization of the period of preliminary economic thought: the so-called agricultural system contains on the one hand too scanty a recognition of the other economic ideas which existed alongside of the so-called mercantile

system, and on the other, a very imperfect understanding of the pre-eminent scientific importance of the "French philosophers," who, especially in comparison with Adam Smith, signified much more than he conceded; while as regards their practical "harmlessness" he was certainly wholly in error.

It will be the task of future monographic investigation, which will summarize, extend and deepen the literary historical labors of the preceding generation, to show how it occurred that in the development of French and Scotch moral philosophy, a point was reached at which political economy came into existence as an independent science. This development can be indicated here only in the briefest outline.

The helplessness of practical wisdom with its every-day grievances and every-day expedients, is shown in a literature which covers centuries of economic activity and which, notwithstanding its significant efforts to acquire a knowledge of the subject, failed to reach the height from which any systematic survey of the field is possible, until philosophy took the problem into its hands. Prior to that time we observe a mass of disconnected observations, opinions, and counsels which after all only mirrored the manifold aspects of the practical questions of the day. This was especially noticeable whenever an old order of society passed into a state of revolutionary ferment, challenging all the intellect of the age to explain the final causes of social life. The fact that prior to the scientific period of political economy, works appeared clothed in the garb of scientific system, is no more a disproof of our position than the fact that the same thing appears in the scientific period down to our own day.

The more literature wears a practical aspect, the more important it is to consider it in its relations with practical affairs, for this is the environment in which it is to be understood. These fragments of speculation, indeed, contribute just as much to our knowledge of the life of the past as that knowledge does to our understanding of these speculations. The numismatic literature of the 'Thirty-years' War, for instance, possesses at least as much importance for the study of German history as it does for the history of economic science; on the other hand the edicts of the German Emperor, Frederick the Second, which show his perception of the importance of a well-regulated coinage, are even more instructive as regards the degree of economic knowledge which had then been attained than any mere literary dissertation on the coinage would have been.

Such ideas, whether expressed in laws or books, in institutions or personal opinions, are of great importance for a detailed survey of the history of any science or of the subject-matter of which it treats. On the whole they contain little which is new or surprising. For the development of political economy the fact remains that the one decisive event had no connection with economic practice, but was simply the division of an existing science. Moral philosophy assigned to one of her daughters an independent household. It was a small, unpretentious outfit, corresponding to the narrow means of the parent science, but it was the beginning, nevertheless, of permanent independence. The chief significance of the antecedent economic practice for the development of the science lay partly in the external influence of the atmosphere of the eighteenth century, which hastened this new departure, and partly in the abundance of materials which it contributed and is still

called upon to contribute to the completion of this first outline of the new economic theory.

If the foregoing views be correct, we may omit the traditional enumeration of the names and writings of antiquity, of the Middle Ages, etc. Treated in the customary way, such an enumeration would not be in keeping with the purpose of this book; while otherwise the treatment of the topic would necessarily exceed the limits of our space.

Every serious study of the earlier epochs of history has shown the superficiality of mere literary historical descriptions; the study of the classic antiquity of the Greeks and Romans, as well as that combination of ancient, ecclesiastical, and Germanic elements which we call the Middle Ages introduces the investigator into the economic life of the people; while only meagre fragments of this life are revealed in the literary monuments of the times. Even so great an intellect as Aristotle's is much more remarkable to us for the picture of his actual environment which is reflected in his views on slavery than for the scientific justification of slavery which he offers us.

Economic history, however, according to our ideas of system, is a part of the collection and arrangement of economic material, and is valuable as a means of attaining a better understanding of the present age.

The advent of the period of scientific political economy was foretold in the two centuries which preceded it by an abundant literature which was the expression of the increasing importance of economic interests. The nation which was the first to revive, on the sacred soil of antiquity, the high civilization of the ancient world was also the first to produce a copious literature dealing with the economic questions of the

day. Coinage and the monetary system in their relation to foreign trade became prominent topics of discussion with the Italians, and, before long, with the other nations of Europe, which, like Italy, were endeavoring to secure the system of money, industries and foreign trade with their attendant advantages. How far-sighted these practical discussions occasionally were is proved by the fact that, as early as 1582, the Italian, Gaspari Scaruffi, in his "*Discorso sopra la moneta e della vera proporzione dell' oro e dell' argento*," proposed a common mint (*zecca universale*) for all Europe.*

In an unbroken chain this literature extends through two centuries of Italian history. In the second half of the eighteenth century the talented Abbé Galiani opposed with realistic insight the French economists whom he knew from a long residence in Paris; but whose scientific importance he was far from correctly judging, although he saw the dangerous practical tendencies of their ideas much more clearly than did Adam Smith.

The traditional view of the supremacy in those days of a mercantile system, such as Adam Smith describes, is far from being an exhaustive expression of the economic policy of the times. In proof we have only to examine the literature of the Netherlands, which is closely connected with the commercial prosperity of that country; just as the Dutch preceded the English in the commercial leadership of the world, so their free trade literature antedates that of England.

The origin of the new science of political economy is directly connected with the events which took place on French soil in the seventeenth and eighteenth centuries. In the first half of the seventeenth Richelieu

* Bianchini, "*Scienza del ben vivere sociale*," 1 parte storica (1845), p. 158. ▲ Comprehensive collection of Italian economic writers is Custodi, "*Scrittori classici Italiani di Economia politica*." Milan, 1803-4; 49 volumes.

and Mazarin established the power of the absolute monarchy by the overthrow of the "States within the State." After the preparatory work of constitutional and political reform was completed and the Middle Ages had given place to modern times it was Colbert who represented the economic and financial policy which the new age required. His aim was an economic unity of territory, free from the restrictions of internal tolls and customs, a uniform system of weights, measures and coinage, the development of the system of roads, the security of law, reduction of taxation, and, especially, participation in the new technique of industry and in the advantages of a world market.

That these efforts degenerated in the course of the next century is evident from the fact that in France all appreciation of them so completely disappeared. There are two men in particular who, about the turning point from the seventeenth to the eighteenth centuries, introduced in practical empirical affairs a tendency which half a century later assumed scientific form in the system of the Physiocrats. They were both men of affairs, Vauban, the field marshal and Boisguillebert, the administrative officer. A better example could hardly be found of the development of practical thought into science, than in the relations and contrasts between these practical men and the Physiocrats. The needs of the masses, especially the country folk, the burden of taxation and the injustice of its distribution, radical projects of tax reform, a lively reaction against the over-estimation of the precious metals, and a warm enthusiasm for the destruction of the traditional barriers to economic activity, these all find an expression chaotic, undigested and lacking clear cut principles it is true, in the thought of these men of affairs. These eminently

practical projects were more or less clearly the starting point for the Economists, as they called themselves, or the Physiocrats as they were always called afterward, who with this empirical material constructed a system of the mechanism of society in which are found, for the first time, the outlines of a real science of economic life, by combining the practical tendencies with the moral philosophy of the period.

Before we glance at this first system of political economy, the German literature of the *cameralistic** science deserves a few words of consideration. This literature preceded the period of German political economy. Whoever has read any of these cameralistic writings, or even worked his way through one of those productions which do not strictly belong in the same class with them, but are comparatively superior in tone—like Johann Peter Süssmilch's "*Göttliche Ordnung in den Veränderungen des menschlichen Geschlechts*"—will readily understand, if he compares it with a contemporaneous English, French or Italian work on the same subject, how the paucity of this so-called science impelled it to yield completely to the inspiration of the new political economy when the latter appeared in Western Europe.†

Originating in the policy of administering the public exchequer like private finances, and having for its primary purpose to give practical suggestions for obtaining the largest possible revenue for the royal treasury, the cameralistic erudition brought together more and more

*The designation *Cameralwissenschaft* seems to appear first in the work of v. Rohr, "*De excolendo studio æconomico*," 1712.

†Some of this spirit has occasionally been breathed into it by the historians of economic literature. Cf. Lorenz v. Stein, "*Zur Geschichte der deutschen Finanzwissenschaft im 17. Jahrhundert*" in *Finanzarchiv*, 1885. Compare also the essay of the same author, "*Die staatswissenschaftliche Theorie der Griechen von Aristoteles und Platon*," in *Zeitschrift für die gesammte Staatswissenschaften*, 1853.

diverse topics by adding materials from economic and financial experience as it approached the period of scientific political economy. In this respect it somewhat resembled the popular notion of political economy to-day in which purely technical matters and political science are curiously confused.

Like the so-called mercantile system the cameralistic science was in its way an expression of the rising power of the absolute State,* and like the mercantile system it is in spite of its erudition a part of economic history rather than economic science, and in spite of its academic treatment it contains a superabundance of empirical material contrasting with the intellectual abstract logic of the philosophical school of political economy. It was material which thought had not yet mastered, but which so soon as light from without had pierced the chaos could readily be fitted to the new ideas.

* "A political body, which lacks life and nourishment from the treasury, however well provided in other respects, is like a beautifully prepared corpse," says Veit Ludwig von Seckendorff (1626-92), one of the leading representatives of cameralistic thought. Roscher "*Geschichte der Nationalökonomie*," p. 249. The extensive literature of this class has been studied by Roscher with indefatigable industry.

CHAPTER III.

THE FRENCH ECONOMISTS OR PHYSIOCRATS.

To estimate justly the worth of scientific achievements two obstacles must be overcome: on the one hand the prejudice of contemporaries; on the other, the arrogance of later developments of thought. The French philosophical school of the eighteenth century, which deserves the lasting honor of having founded a science of economics, was at first much ridiculed by its contemporaries and later—on account of its growing influence and questionable conclusions—much abused.* After the lapse of a century, as is the way of history, the doctrine, subjected to so much ridicule and abuse in its youth, has come to form the content of the economic education which has been universally adopted; the science in the mean time has undergone a further development until, partly in the consciousness of its own strength and partly in opposition to the popular wisdom of the day, it is inclined to forget the enduring services which that school rendered.

One should learn with youthful enthusiasm and from inward experience what it means when a ray of light from a fundamental thought penetrates the chaos of phenomena, introducing harmony and establishing order where all had long been confusion and uncertainty. For in such a way alone can one appreciate the arrogant air in the structure of a system which for the first time

* In view of the French Revolution an English editor of the "Wealth of Nations" endeavored in great detail to protect Adam Smith from the accusation of having been closely connected with the Economists, much as a respectable Englishman might warn a friend from a connection with Social Democracy. William Playfair, "Wealth of Nations," 11th edition, 1805. Cf. especially "The Life of Dr. Smith."

brings the harmony of a natural law into the confused materials of experience. The boldly hypothetical character of such a system detracts nothing from its significance; for if every great advance in science depends on the adoption of important hypotheses, it is even more forcibly the case in the creation of a new science. All further labor which is needed to strengthen and complete this first airy structure, takes nothing from the value of the service rendered in first designing it.

The ungrateful manner in which Adam Smith portrays this school scarcely does justice to its practical importance, let alone justice to its theoretical significance. In emphasizing the productivity of agriculture, or indeed in calling it the only productive occupation, the Physiocrats are not to be understood in the sense falsely imputed to their words; for they did not mean that the heavily burdened peasant was the only productive man. Indeed, the real meaning of the word productive, as applied by them to agriculture solely, has a much wider significance than any philistine comparison of the advantages of manufactures on the one hand, with those of agriculture on the other. As the deliverance of the starving masses from the traditional pressure of taxation and feudal burdens was uppermost in the thoughts of the Physiocrats, they deduced from the theory of the exclusive productivity of agriculture (that is, the yielding of a surplus over the cost of production), their argument in favor of a single tax. This tax should bear heavily upon the land-owners; hence, the theory could assume an aspect friendly to agriculture only by the complete separation of land-owners from the peasant classes, being favorable in such a case to the masses, whose misery had already attracted the attention of Sully and Colbert.

Still less have Adam Smith and his school done justice to the theoretical importance of the Physiocrats. It is none the less true, as Knies declares in his reply to Hildebrand, that, "however little credit they may get for it in the popular tradition, much of their thought—though presented to be sure in the name of Adam Smith—is still regarded as unshaken truth."

The enduring importance of the Economists consists in the eminent ability with which, unlike their predecessors, they comprehended and formulated in a philosophical system the practical characteristics of their own age. Realizing that the workingman was overburdened with taxes and feudal dues, they were led to adopt an entirely new theory of productivity. The realism of Adam Smith brought this theory into closer relations with practical life: but Smith, far from developing the doctrine scientifically, did not even understand it; and so the thread of the argument was not taken up again until Ricardo's time. Upon this conception of productivity the Physiocrats built up their single tax theory, which furnished a scientific basis for the principle, the assessment, and the obligation of taxes; they established a philosophical foundation for their aversion to the regulations which absolutism had adopted from the corporations of the Middle Ages; the cornerstone of this foundation was the principle of self-interest, the workings of which, borrowing from the mechanical ethics of the century, they traced to natural law: all this and even more was the peculiar work of the Physiocrats.

They demanded the reign of the natural order (*ordre naturel des choses*) and hence the Greek name given them by one of their followers (Dupont de Nemours). The boldness of their radicalism did not preclude the ambiguity which lay for a century undiscovered in this

conception of a natural law of social life. They themselves furnish a striking proof of this ambiguity in their own inconsistency. With their unhistorical conception of national and political life, they are as extravagant as any socialist of later date in their belief in the possibility of transforming men and circumstances; and hence the absolute régime which they found in existence, suited them perfectly. Thus Abbé Baudeau says: "The State makes of men what it will," and Letronne praises France in contrast to England, because in France reforms can be effected which immediately transform the whole country, while in England these reforms are hindered by party obstruction.*

They are here guilty of the same inconsistency as the socialists, who start out with "the materialistic conception of history," and yet overestimate the power which human resolutions can exert over the course of history.

Individualism the Physiocrats accepted as a natural régime, provided only the régime of a very powerful State had first cleared the way of all traditional barriers for the play of the free competition of private interests. This form of individualism, however, differed from the later ideas of *laissez faire*, in that it breathed the belief of those who underrate the present and overvalue the future. The experiences of later generations have made this belief impossible, at least for all minds which share the philanthropic sentiments of the Physiocrats. Far from being intimately related to the later English party movement, known as the Manchester school, which was a practical application of the old doctrine to the purposes of the new capitalism, the Physiocrats more closely resemble the socialists of the eighteenth and nineteenth centuries, and reveal this inner relationship by the use

* De Tocqueville, "*L'ancien régime et la révolution*," 1856, p. 261.

of the same earnest language in favor of the working classes.

De Tocqueville* has pointed out how the reforms undertaken in the last twenty years of the reign of Louis XIV. encouraged the revolution, and how the irritating tone even of official documents of the government contributed to this result. The tone arose from the impression of the ruling classes, that the common people were so unsophisticated that they did not notice such things. Thus an intendant writes of "the injustice of the landlords who owe all they possess to the labors of the poor." Under the influence of Turgot a royal edict of 1776 declared that "almost all the roads of our realm have been constructed by the poorest classes of our subjects without any compensation, but the landlords, who are almost all exempt from taxation, derive the benefit from them."

Modern socialism would have a clearer and better founded right to appeal to these beginnings for its theory of value than to the Ricardian doctrine. Socialism is in error in considering the distinction between the third and fourth estate as a recent development; for as early as 1764 an edict† distinguishes the bourgeois, or those who, by reason of position and property, can live comfortably without remunerative labor, from the workmen (artisans), just as do the socialists.

The most prominent names in the Physiocratic school are, Quesnay, the physician of Louis XV., Turgot, intendant and minister of Louis XVI., Marquis Mirabeau, Abbé Baudeau and Mercier de la Rivière. Baudeau produced a textbook which resembled the later textbooks of political economy. The numerous writings of the

* "*L'ancien régime*," pp. 290-299.

† *Ibid.* p. 391.

school were collected and published in 1844 by Eugène Daire under the title, "*Oeuvres des Physiocrates*" (2 vols.) and "*Oeuvres de Turgot*" (2 vols.). Before that time, in 1768-69, a collection of these writings had been published in six volumes by Dupont de Nemours. The collection was entitled "*Physiocratie ou constitution naturelle du gouvernement plus avantageux au genre humain.*"

Despite many differences in details, these writers all agree in the essentially fundamental principles and doctrines. The especially noteworthy works are, "*Tableau économique*," by Quesnay (1758), and an essay by Turgot* entitled, "*Réflexions sur la formation et la distribution des richesses*," (1766).

As we have already intimated, the usual description of the contents of these works emphasizes unessential matters and neglects the essential elements.

From a practical standpoint, the essential thing is not so much the prominence given to agriculture compared with industries and manufactures as the intercession in behalf of the masses of laboring people; not the presentation of a new theory of taxation, but the demand for the deliverance of the masses from the burdens of traditional imposts. It is only because the masses were engaged in agriculture, and only so far as agriculturalists belonged to the working masses that the demands of the Physiocrats were favorable to agriculture. On this tendency of their doctrines, their contemporary, Galiani† wrote: "If the Economists mean to say that it is a good thing for corn to be high, they are not talking nonsense‡

* Cf. on Turgot, v. Scheel in *Zeitschrift für die gesammte Staatswissenschaft* xxiv, 1868, and v. sivers, in Hildebrand's *Jahrbüchern für Nationalökonomie*, xxii, 1874.

† "*Correspondance inédite*," i, 227.

‡ But on the whole Galiani despises the Physiocrats, and in one passage says, "sects are a source of help and a support to all weak-minded people, and this accounts for Jansenites, Free Masons, and Economists."

but they are using very revolutionary language; for the whole present system of society in all countries is based on a long established subjugation of the peasants; the countryman bears everything upon his back, kings, priests, parliaments and universities and so forth." The oft-repeated Physiocratic theory of taxation had the opposite end in view, for it was aimed not at the peasants but at the idle landlords.

From a theoretical standpoint, the importance of the Physiocrats does not consist in their view of net earnings and net incomes—a doctrine which, by the way, has been falsely restated, in a form in which even the weakest understanding can refute it—nor in their reaction against the over-estimation of the precious metals, nor finally in their doctrine of free competition. Their real and truly great scientific achievements are found in the facts that they gave us a clear conception of net profits and income, which had not been done before; that they based value and the production of value upon labor; that they substituted for the traditional empiricism the uniformity of law in economic occurrences; and, that on a higher level than their later admirers, they placed this uniformity in the sphere of social institutions (liberty, equality, property), which they discussed as economic problems.

Their conception of "*produit net*" and "*revenu net*," although now obsolete, is, nevertheless, of great importance in its historical connection. For the first time it pointed out the source of the surplus which is available for public revenues. The limitation of this surplus to the rent of land, the erroneous conception of rent which was the reason for this limitation, and the no longer tenable idea of net income are all stages in the progress of economic science by which we have

attained at our present insight into the nature of production. We shall miss the mark if we regard the distinction which the Physiocrats drew between the productive (that is, surplus-giving) and useful but non-productive classes, or any other similar ideas of theirs as their principal work; still less can they be held responsible for the customary misconceptions of their ideas.

Their theory of a natural tax, the "*impôt unique*" or "*impôt direct*," is admirable for its scientific consistency with their system; how thoroughly socialistic it is in its opposition to the landlords has for the most part entirely escaped notice in the usual repetition of their "over-estimation of agriculture." Indeed, the Physiocrats declared that the landlords were entirely superfluous, as they performed no labor; that if the State should absorb the entire rent, and thereby deprive them of their means of support, society would be just as well off as it was before; and that the landlords therefore should be quite content if the State, to provide for its wants, took a part only of the rent of their land as a just compensation for the protection it afforded their property.

In addition to this the Physiocrats made contribution to certain important principles of political economy for which they have scarcely received any thanks. For instance, the elder Mirabeau in his anonymous production, "*L'ami des hommes ou traité de la population*" (Avignon, 1756), undertakes an investigation regarding the size and support of population. The very starting-point of his discussion shows superiority over the wooden systems of many of the later followers of Adam Smith, and the results he arrived at already established the principle—afterward again developed by James Steuart, 1767—that the size of a population depends of the

quantity of food and the degree of civilization, a small band of savages requiring an extent of territory which if well tilled would suffice for a vast population. He extended his investigation to a consideration of morals, and condemns the luxury of the age because it is a means of diminishing that most valuable constituent of society—a well-fed population.

We must here part company with the Physiocrats, the first prominent school of political economy; and while we shall discover deep traces of their influence over succeeding generations and among other nations, in their own country we shall find them more and more belittled and misrepresented.

CHAPTER IV.

ADAM SMITH.

In France the Physiocratic doctrines worked in combination with the political and constitutional ideas of the age, to promote that mighty revolution, which was not, as the Physiocrats had expected, effected through the absolutism of the monarchy, but through the absolutisms of the sovereign people, for the radical changes of State and society took hold of everything at once. While the practical tendencies of the Physiocrats were in the direction of changes which, using modern party names, we might call social-conservative, that is changes of great social importance brought about by the agency of the existing authorities, the changes became in fact a social-democratic upheaval. Every measure by which a well-organized state administration would have tempered the introduction of the abstract theories of the new doctrine into actual life was swept away before the power of revolution.

We can readily understand that this was not the way to confirm the scientific authority of the new school. Consequently we find that, while in spite of all this the influence of the school remained powerful—so much so, that up to the present hour the name and character of an "*Economiste*" still reveals a close connection with its teachings—its doctrines reappeared in a foreign garb, being brought back from England, where they had undergone a sort of refining process.

It was Adam Smith who subjected them to this refining process, if we may apply that term to a transformation which blunted the keen bare edge of the science

in favor of practical prudence. Such, however, was his success that not alone in England, but throughout the civilized world, in France itself, and in Germany too, the new science, clad in the garb which he gave it, was victorious.

On British soil what has already been remarked in reference to the French economists became again apparent: the drift of the moral philosophy of the age was in the direction of a systematic knowledge of economic life. Adam Smith was surrounded by a circle of scientific friends, such as David Hume* and Adam Ferguson, who in their way, though not in the form of a systematic treatment of political economy, threw a great deal of light on this subject of investigation. He made himself known among philosophers by his attempt, while professor of moral philosophy at Glasgow (1751-1763), to explain the nature of the moral sentiments. ("Theory of Moral Sentiments, 1759.") Ten months which he afterward spent in Paris brought him in contact with the Economists. Returning in 1766 to his mother's home, he began his great work on political economy, a laudatory announcement of which appeared in Adam Ferguson's "Essay on the History of Civil Society." †

Before this time English literature possessed a work on political economy, written by Sir James Steuart, which as regards scientific treatment and wide circulation, almost equaled the later work of Adam Smith. This was the "Inquiry into the Principles of Political Economy," which came out in 1767, and was immediately carefully reviewed in the *Göttingischen*

* "Essays, Moral and Political," 1742. "Political Discourses," 1752.

† "A theory of national economy equal to what has ever appeared on any subject of science whatever." Cohn, in a foot-note, shows that these words of praise did not, as Roscher asserts, appear in the first edition of Ferguson's work, which came out in 1767, but were first inserted in some later edition, presumably the third which appeared in 1773.—*Translator*.

Gelehrten Anzeigen, of 1768; while in the year following two German translations appeared. It was a comprehensive work, and by no means merited the oblivion into which it has long since fallen—thanks, besides other reasons, to its banishment into the “Mercantile System.” Adopting an arrangement of his material, such as his successors cannot always boast of, Steuart, like the elder Mirabeau, traces out, in the first part of his work, the natural and historical reasons for the increase of population, in a manner unequalled for thoroughness, moderation and lucidity by any subsequent writer down to the time of Malthus. Even Malthus, by reason of the polemical character of his work, is as much below Steuart in soberness of tone as he is superior to him in passion and eloquence. And how refreshing is the purity of scientific atmosphere in Steuart’s work, where, having occasion to make use of a Biblical illustration, he adds that it is foreign to his purpose to examine the supernatural means by which God multiplied His chosen people! Contrast with this the theo-theological bombast of his German contemporary, Süssmilch.

The same thoughtful tone is again manifested in the second book, where the author undertakes to investigate the wants of a population, and in the course of the discussion expresses the opinion that, as soon as the members of the same industrial class have secured what is requisite to a comfortable existence, the endeavor should be made to restrict competition, which is so destructive of this prosperous condition, provided that it could be done; but in view of the increase of population, etc., it was unfortunately not possible. Such thoughtful discussions as this are so little in keeping with the storm and stress of the age that we can readily understand how

this thinker soon came to be pushed into the background by the newer spirits of the times, so that in the preface to a French edition of his work which appeared in the first year of the revolution the translator complains of the neglect into which the author had fallen.

But this neglect cannot be a reproach to these new system makers who in youthful enthusiasm for their doctrines and with the power of their "natural laws" held sway over the new generation, and relegated this careful thinker to a place in the background. A later generation should, however, atone for this injustice and may perhaps yet do so more than has hitherto been done.

In England it was Adam Smith whose effective doctrinarianism, in his "Wealth of Nations," took the men of intellect by storm, and thence his influence spread to Germany* and other countries. In the *Göttingischen Anzeigen* of March 10, 1777, his work was reviewed at length and spoken of as a classic. The year of its publication, 1776, a German translation was begun by J. F. Schiller, a German living in London, which was known to the reviewer of the *Anzeigen*, although it was not printed until 1778. Later a better German translation was made by the moral philosophers Christian Garve and August Dörrien, 1794-1796. (See *Göttingischen Anzeigen*, Jahrgang, 1794.)† In England edition followed edition, five making their appearance in Smith's lifetime. The sixth was brought out by his friend, Dugald Stewart, in 1791, and the eleventh by William Playfair, in 1805. Even then editors began enriching their editions by annotations, additions, biographies, etc., *e. g.*, the edition

* The lively interest with which each new publication in French or English literature was awaited and translated in Germany is remarkable. The *Göttingischen Gelehrten Anzeigen* was distinguished for its prompt and careful reviews of these works; and a multitude of German translations were issued, many of which directly followed the appearance of the original work.

† More recent translations by M. Stirner, 1846-47, and by C. W. Asher, 1861.

of David Buchanan, appearing in 1814. After that came editions innumerable down to the present time, and also translations into foreign languages, including Danish, Spanish, and Russian. French translations are especially numerous, their object being to darken the light of the Physiocrats, already little more than a smouldering torch. The translation of Abbé Blavet appeared in 1779. Smith himself speaks highly of it in his third edition. Five editions of this translation were published, the last in 1800-1801. In 1790 a translation was issued by Roucher with a volume of notes by Condorcet, while further editions by Germain Garnier appeared in 1802 and 1822. The substance of Smith's book, moreover, without the name and form of a translation was introduced in many foreign textbooks, especially in Germany. Indications of this practice are still very apparent in Rau's writings.

Playfair, one of the above-mentioned editors, in comparing Adam Smith with the Physiocrats, and denying or depreciating their influence over him, especially commends the author of the "Wealth of Nations," for the practical sense which held him far aloof from the radicalism of the French economists. The latter, says Playfair, were "too eager after system" to observe that England as well as Holland was far from imposing no legal restrictions on economic activity; on the contrary, such restrictions were numerous, but were imposed with greater prudence than was the case in France. At the same time, he adds, Smith lived so retired from the world, that it is astonishing how he could have written with such an insight into the relations of men in practical life.

But on such grounds Smith hardly merits a higher place in the history of the science than his French

predecessors. For not only does he fall short of penetrating any deeper into the nature of society by virtue of a better understanding of practical men and affairs than the French economists evinced, but on the contrary he contents himself with the same psychological premises, and draws conclusions therefrom with the utmost indifference to the actual facts of experience, or even shapes these facts to suit his conclusions, while his philosophical horizon is much narrower than that of the Physiocrats.

Indeed, Smith's success in making his work popular and influential in a practical direction, and thus adapting it to the needs of the science, was partly due to that very thing which, regarded from a strictly scientific standpoint, makes him inferior to the Physiocrats; namely, to his frequent blunting of the sharp edges of their logic. This was all the more effective, because, instead of their enthusiasm, he introduced a series of soberer observations which gave vitality to the abstract character of his work. But his countryman, Henry Thomas Buckle, certainly goes too far when he asserts that, "if all the commercial and historical facts in the 'Wealth of Nations,' were false, the book would still remain, and its conclusions would hold equally good though they would be less attractive; in it everything depends on general principles, and they were arrived at in 1752, that is twenty-four years before the work was published in which those principles were applied."*

Very different from the effect which the teachings of the Physiocrats had on the French Revolution, was the success of Adam Smith's influence on English public life. Smith, himself, lived to enjoy this success. The anecdote of his declaring after a long conversation with

* "History of Civilization," London, 1861, vol. ii, p. 466.

Pitt, that the great minister understood his book just as well as he did himself, which is related by Sartorius and repeated by Roscher, is in like fashion told of Edmund Burke, by Buckle, who cites two biographies of this statesman in support of the story. But it is certainly a gross exaggeration, and one of those which has so offended persons of cultivated judgment, and so much injured our science in the eyes of outsiders, when Buckle, in several passages of his "History of Civilization," speaks of Smith's work as perhaps, "the most important which has ever been written." Since, however, he bases this assertion, not alone on "the mass of original ideas" in the work, but on "its practical influence" as well, we must, while we deny the validity of the first reason, admit certain scope to the second.

Smith tells the story of Parmenides who, while delivering a lecture on philosophy, was deserted by all his hearers with the exception of Plato, but he continued his discourse, nothing daunted, with the remark that one Plato was worth as much to him as the whole audience. "And in fact," Smith adds "the well-considered approval of one judicious man affords us deeper satisfaction, than the noisy applause of thousands prompted by their enthusiastic but ignorant admiration of us." The reputation of Smith's "Wealth of Nations" is, however, due quite as much to these applauding thousands as to the judicious few.

This result was closely connected with the fact that, Smith's work appeared at a time when the new technique was beginning to create, for the first time, and on English soil, conditions favorable to his theories. The growth of industry and international trade silently contributed to the popularity of his doctrines on their native

land, and gradually, with the spread of the enlightened ideas of the century, throughout the entire world.

We must, however, consider the scientific content of the "Wealth of Nations." Long ago was propounded the fundamental question of the relation which the ethics of Smith's earlier treatise bore to that of his later economic work. It is a question which over and above the practical importance of the latter work in its day is calculated to shed light upon its true scientific value and its importance for all subsequent generations.

It is true that the "Theory of the Moral Sentiments" contains certain elements which do not seem in harmony with the philosophy of self-interest. Take for instance, the following passage: "The wise and virtuous man is at all times willing that his own private interest should be sacrificed to the public interest. . . . If he is deeply impressed with the habitual and thorough conviction that the benevolent and all-wise Being can admit into the system of government no partial evil which is not necessary for the universal good he must consider all the misfortunes which may befall himself, his friends, his society, his country, as necessary for the prosperity of the universe. . . . Nor does this magnanimous resignation to the will of the great Director of the universe seem in any respect beyond the reach of human nature. Good soldiers, who both love and trust their general, frequently march with more gaiety and alacrity to the forlorn station from which they never expect to return than they would to one where there was neither difficulty nor danger. In marching to the latter they feel no other sentiment than that of the dullness of ordinary duty; in marching to the former they feel that they are making the noblest exertion which it is possible for man to make. . . . They cheerfully sacrifice

their own little systems to the prosperity of a greater system." *

The wise and the virtuous man—not the majority of producers. But the fact is here stated that this self-sacrificing conduct is not exceptional, but characteristic of humanity; that soldiers are accustomed so to act, and that other classes are no doubt also habitually capable of such action. On the other hand, while Knies has long since shown how little Smith intended to maintain, in his work on political economy, that the egoism of the individual harmonizes with the common good of all, how on the contrary he has in repeated instances given expression to views akin to those of Hermann and Rau, yet for all that no one can seriously deny that in his "Wealth of Nations" Smith, like the majority of his contemporaries, stands upon the moral philosophy of "*l'intérêt personnel*." His disparagement of statesmen who presume to have a better understanding of economic affairs than the private individuals directly concerned in them, shows us that after all the element of public spirit so much emphasized later, especially by the Germans, is in his book everywhere subordinated to self-interest. Only he possessed too realistic a mind to quite overlook the numerous short-comings and defects of this self-interest.

The "Wealth of Nations" seems to me to contain so many inconsistencies in its general principles as well as in its particular doctrines that the attempt to postulate and prove any internal harmony in the work may as well be relinquished at once.

On the contrary, it may perhaps be reconciled with Smith's earlier work on moral philosophy. The theory of self-interest, taken in connection with his oft repeated

* "Moral Sentiments," book vi, sect. ii, cap. iii.

indignation over the narrow-mindedness of self-interest agrees with the leading idea of the earlier work. For this postulates the moral principle of "sympathy," not as exactly synonymous with benevolence,* but understood as meaning that man by nature agrees in his sensations with his kind and takes pleasure in this agreement. Hence follows as a principle of conduct, that we should place ourselves in the position of an impartial observer, and, as it were, look at our actions through his eyes.

If we unite this principle with the doctrine of self-interest of the later work, there results a mitigation of the self-interest, involving unsolved problem which forms the inconsistency of Adam Smith as well as the Physiocrats. Both alike tacitly accepted certain institutional and moral barriers to the natural instinct of self-preservation without recognizing the significance of such barriers. Both were here under the spell of that doctrine of natural laws and natural rights which in Holland, England, and France had for a century curiously confused and transposed natural and ethical forces.

Every man, so long as he does not transgress the natural laws of justice, shall be left entirely free to pursue his own interests in his own way. So said Smith and so said the Physiocrats. The problem of this "natural justice" remained an unconscious element which was destined to be first brought into consciousness through the subsequent influence of philosophy and the historical school.

Even in the separate portions of the "Wealth of Nations" Smith is superior to his French predecessors,

* Buckle's conception casts little light on this question. He sets the principle of sympathy over against that of self-interest in a contrast, which really does not exist, and regards these two works of Adam Smith as the two divisions of one complete subject without offering us any satisfactory evidences, either external or internal, of the truth of this assumption. "History of Civilization," vol. ii, cap. vi.

more by his contact with practical life than in his scientific penetration. On the contrary, however, often his more naive, and therefore more realistic treatment of value, production, and rent has been extolled as a real scientific progress and a deeper insight into these doctrines, it is none the less true that Smith owed his success to a logic which dealt with its material less acutely and less consequently, than did that of the Physiocrats. He refutes them in the way which practical men with a sound common sense correct theories, without following them out on their own ground.

The much praised principle of the division of labor, from which Smith starts, he builds upon an insecure foundation. A little continuous thought must have suggested the question, how did this alleged first cause of the principle, or the inclination of men to exchange, originate, if before that time men did not possess different articles which they could exchange, and how did it happen that before exchange began there was a division of labor in the household between the sexes, between the strong and the weak, the free and the unfree.

Notwithstanding the historical significance of Smith's work is not to be measured by these or any similar defects. We have already indicated the reasons for his influence. They are grounded upon his realistic mitigation of the Physiocratic theories and upon the reconciliation which he effected between the extravagances of those abstract thinkers and the practices of the times. What he contributed to the science beyond his French and English predecessors will be considered in detail, but this is not the appropriate place.

CHAPTER V.

THE FOLLOWERS OF ADAM SMITH DOWN TO THE TIME OF JOHN STUART MILL.

How enduring was the influence of Adam Smith's work, not only upon practical affairs, but upon the science as well, and even upon the science of that country which in later generations contributed the most for the internal development of political economy, can be inferred from the words of Rau, written in the last year of his life (1869). "The fundamental ideas of Adam Smith," he says, "are derived so directly from the nature of things that later investigations only furthered the gradual internal development of his system without establishing a new one; hence the political economy of to-day, although, by no means, confined any longer to the content of the doctrines formulated by Adam Smith, is nevertheless regarded as his system."

The gradual internal development of which Rau speaks first took place in England itself. It was Robert Malthus who, in his examination of the theory of rent, and especially in his important "Essay on the Principle of Population" (1798), introduced a new epoch in the development of the science. He was, however, as we have seen, preceded by the elder Mirabeau and by James Steuart; while the controversy between David Hume and Wallace in regard to the population of the ancient world had also contributed to the subject. Nevertheless Malthus, with all the inaccuracies in his method, and in the formulation of his principle of the growth of population, deserves the honor of having set forth certain immutable truths concerning the natural and

ethical bases of society. Since his day only ignorance or misconception has made it possible to disregard these truths, upon which rests our knowledge of decisive causes of social prosperity.

In battle with the socialistic errors of his day, maintained by Godwin and Condorcet, and with the patriarchal socialism of the English poor laws, he entered the lists as the representative of a form of individualism which went beyond all reasonable bounds; but the principle which he maintained—that of a contradiction between the germs of life and the possibilities of life with the consequent alternative of solving the problem either through the destructive action of the forces of nature or by the regulative influence of human reason—is so unassailable that every prominent economic thinker has recognized it, setting aside all inaccuracies in Malthus' expression of it as matters of secondary importance. Charles Darwin in his work on the "Origin of Species" avows his faith in the principle by applying it throughout the whole domain of animal and vegetable life. "It is the doctrine of Malthus," he says, "which applies with redoubled force to the animal and vegetable kingdoms, because here there can be no artificial increase of the means of sustenance and no prudential restraint on marriage." *

Of the contemporaries of Malthus, the best known is David Ricardo. In acuteness of intellect he came nearer to the Physiocrats than did Adam Smith, whose work he adopted as the starting point for critical discussions on value, rent and profits. In 1817 he published them as the "Principles of Political Economy." Ricardo shared with Malthus the fate of being repeatedly opposed by those who had not read him or else who

* Chap. iii, p. 50, sixth edition, London, 1875.

did not understand him. On the other hand, his merits have been more frequently over-estimated than was the case with Malthus.

He was the first of those English business men who separated from the whole subject of political economy all that was without interest for a business man, and then proceeded to look upon what they had eliminated as non-existent. Ricardo was far from presuming to offer his "Principles" as a system of economics, as has often been imputed to him, for the very language of his book refutes the charge. He shows that he was well aware of the hypothetical character of his deductions from the principle of self-interest when, in discussing the theory of interest, he draws attention to the resistance which is, and in his opinion should be, offered to the internationalization of capital by patriotic considerations. His examination of income is the continuation of the efforts of the Physiocrats, which had been obscured by Adam Smith. The "misanthropy" which has often been imputed to Ricardo is due rather to the hostility of those who have judged him without reading his work. The "iron law of wages," so far as such a law has been laid down at all, was not first propounded by Ricardo, but in a form more obscure (to be sure), and therefore all the more severe, by Adam Smith. Ricardo, on the contrary, deriving wages from the general law of prices, the cost of production, developed and harmonized the theory by introducing the idea of a standard of life.

At the same time Ricardo's writings* have no further value, beyond their significance, as a logical purification of particular portions of Adam Smith's work. (In his earlier writings he discussed banking, money and

* "The works of D. Ricardo," by J. R. McCulloch, 1846. German translation of the "Principles," with explanatory notes, by C. Baumstark, 1837-38; 2d ed., 1877.

other questions of the day.) His work is to-day one of those which may be commended to students as mental gymnastic discipline in economics. But his horizon is narrow, and his logic not so penetrating and triumphant as it is often reputed to be. We can better understand his literary reputation, when we consider his numerous followers, above whom he stands pre-eminent, such as James Mill, McCulloch, Senior, Newmarch and Bagehot. For while Ricardo, taking the money market of the city as his starting point, developed into a student of Adam Smith's work and a critical commentator on certain portions of it, in these men we have a reverse movement from the existing theory back to the monetary affairs of Lombard street, until at last it seemed as if political economy had become an orthodox faith, whose preaching, and whose application was the affair of bankers.

Compare this development with the thinkers of the eighteenth century, to whom we have already been introduced, and especially with Adam Smith, to whom his followers are always appealing, and we observe how, hand in hand with the decline of the science, its doctrines are more and more degraded to subserve the interests of the moneyed classes as distinguished from the great majority of society. Those old masters, as we have seen, started with a warm enthusiasm for the general welfare of humanity. The Physiocrats, aroused by glaring contrasts in the conditions of different classes of society, developed their demands for reform by means of bold syntheses. Adam Smith was indeed more prudent and moderate, but he displayed such unmistakable evidences of good will toward the working classes, that in some of his utterances he seems dangerously severe upon the rich.

In the nineteenth century the scene changes. Instead of satisfying the profound need of a further development of the new science, the tendency was to regard it as completed, simply because it laid down a number of propositions which seemed to subserve the interests of modern industry, modern trade, and the money market. Wherever Smith, whose faith in the benefits of the growth of the new industrial society stood in any case in need of correction, had expressed or indicated views which were not to the taste of these new interests, he ceased to be an authority. English statesmen yielded more and more to the influence of this party doctrine. Among the older free traders were men like Huskisson, the friend of Canning, who, a few days before his death, delivered a speech in favor of a law to protect laborers against the truck system, proclaiming in noble words that it was the mission of the State to help the weak. But such men gave place to another type of statesmen, who introduced the laws of political economy into parliamentary debates with a frequency proportioned to their lack of acquaintance with the science to which they appealed. Theirs was a barren stock of wisdom which could be summed up in a few words, and traduced the very name of science by being as servile to the interests of one class as it was directly hostile to those of another. Even the most flagrant and crying evils of the nineteenth century gained a hearing before the law and the public administration only after long neglect and wearisome debates, in which the so-called natural laws of political economy were always trump cards to defeat any proposal of legal protection for the weak.

This then was what remained of the eighteenth century doctrine after it had been wrested from the faith and goodwill of the age which produced it, after it had

been detached from the soil of human sympathy in which it sprang up. Thus the principle of self-interest degenerated from a philosophical doctrine to a narrow-minded business policy.

There were not lacking in practical life, as well as in science, men who appeal to our sympathy. In Parliament there was Lord Ashley, later Earl of Shaftesbury, the friend of the working classes.* Having won distinction by supporting the first effective factory law (1833) and advocating at the same time an heretical proposal for a ten-hour day, he has ever since been an active agitator for all liberal legislative measures in behalf of the working men and the poor. Before him came that extravagant but noble philanthropist, Robert Owen, whose services to mankind consisted in the character of the man and the influence of his example on manufacturers rather than in his writings, or in the success of his schemes. And many other such men might be mentioned.

There is also, no lack whatever of literary monuments of a similar type. A disciple of Owen's, William Thompson, published in 1824 "An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness." The aim of the book was to secure a more desirable distribution of wealth by means of Owen's system of voluntary equality. At the same time the author has so correct a conception of the task of economic science that he proposes, by uniting permanent economic truths with humanitarian ideas to develop a social science which shall counteract the mechanical fatalism of the laws of nature, and introduce a better distribution in place of the existing inequalities of wealth to which these laws give rise.

* Speeches by the Earl of Shaftesbury, London, 1868.

He was, moreover, one of the first to utilize Ricardo's theory of value in a socialistic spirit, twenty years before Rodbertus Proudhon and Marx.

Again there was that remarkable character, Thomas Carlyle, who attacked the Manchester School with bitterest scorn, undermining by his keen criticisms the optimism of society, and in his pamphlet on "Chartism" (1839), warning the ruling classes that the condition of England demanded investigation more urgently than that of Ireland.

Finally we have the so-called Christian Socialists, Kingsley, Hughes, Ludlow and others, who, like Carlyle, unfortunately despised political economy more thoroughly than they understood it. Their only contribution to the development of the science was the protest of their noble sentiments. When, therefore, the question arose of replacing the existing order of society with something better their enthusiasm could not make up for their want of clear ideas.

The first name in the history of English political economy which indicated that the science had taken a new departure in the direction already suggested was that of John Stuart Mill. It is certainly no mere accident that it is the name of a philosopher which marks this turning point. Even his contemporaries, in so far as they failed to get beyond the narrow horizon of Ricardo, or indeed, failed to see any scope whatever for political economy outside their own narrow world of business, rightly regarded Mill as an apostate from the old school. William Bagehot (who died in 1878), for many years editor of the weekly *Economist*, prided himself on being the last genuine Ricardian in distinction from his contemporaries who, under Mill's influence, had all been alienated from the pure doctrine.

They were philosophers who in the eighteenth century, created the new and promising science of political economy, and it was likewise a philosopher who in the nineteenth century, introduced a new leaven in the dismal science of the money changers. Economics should never forget its debt to philosophy.

The task which Thompson attempted in 1824 Mill accomplished with better success. His widely circulated work was pre-eminent as an honest attempt to combine the "mechanical" theories of political economy—as Thompson called them—with moral ideas; and with this purpose in view he did not disdain the trouble of examining and criticising the theories of communists and socialists.

His work is entitled "Principles of Political Economy with some of their Applications to Social Philosophy." It appeared in 1848, following the publication of his "Essays on Some Unsettled Questions of Political Economy" (1844). It has gone through numerous editions. Three had already appeared by 1852. It was very soon translated into foreign languages, into German by A. Soetbeer, in 1851, and into French by Dussard and Courcelle-Seneuil, in 1852.

In it Mill intended to do for his generation what Adam Smith had done for his. "No attempt," says Mill in the preface to his "Principles," "has yet been made to combine Smith's practical mode of treating his subject with the increased knowledge since acquired of its theory, or to exhibit the economical phenomena of society in the relation in which they stand to the best social ideas of the present time, as he did with such admirable success in reference to the philosophy of his century." In this attempt Mill met with moderate success, at least in England, to some extent also in foreign countries.

At the same time his philosophy did not succeed in contributing anything to the traditional economic theory. What he did was to restore the philosophical standard as it had existed a century previous, and he gave a warning to the theorists of exchange and bank reserve and the production of the precious metals. In all the glory of these new riches he called to them "who does not abhor your millions as he sees the weeping ragged children lying at night upon the cold pavements of the Strand itself and of Lombard street!"

But as for developing the principles of political economy and freeing the science from the spell of the old school, as for exploding the brazen laws of self-interest and setting up in their place a recognition of the social-historical forces of society—all that was denied the pupil of Jeremy Bentham, for the very reason that this philosophy of his was nothing more than gleanings from the moral philosophy of the eighteenth century. Mill, indeed, was so deeply imbued with the French and English conceptions of a natural science of society, that he asserts only through the principle of free competition does political economy secure the character of a true science. We might ask whether there is no place for any system of knowledge (*Wissenschaft*) outside the domain of a true "science," or whether all knowledge of economics must in fact stand or fall with this doctrine of free competition? In the German national economy we have the answer to this question.

In his personal attitude toward social questions, Mill, with all the ruthlessness of an abstract thinker, wandered farther and farther away from the paths of the old school, until, shortly before his death (1873), he spoke in London in favor of abolishing private property in

land, while only a few years before he proclaimed abstract and radical views on the question of woman's position. ("Subjection of Women," 1869.) Nevertheless, the courage of his radicalism appeals to our sympathies, in the midst of his English surroundings whose leaden prejudices he does not fear, and which he attacked in his pamphlet on "Liberty" (1859).

Adam Smith's ideas were, as we have seen, introduced in France as promptly as in Germany. After the revolution his light obscured that of the Physiocrats, and his doctrines found an able, eloquent, broad but superficial exponent in Jean-Baptiste Say, who made some new contributions to the details of Smith's work.

But of greater weight in the history of science is the work of Sismonde de Sismondi, the "*Nouveaux principes d'économie politique*" (1819). He was not only the first economist to be profoundly impressed by the dark shadows of the new industrial world, but also the first to trace out their effects on economic theory, thus emphasizing the moral aspect of the science. This is all the more remarkable because from being a Saul of the old faith ("*De la richesse commerciale*," 1803), he became a Paul of the new.

The extraordinary activity of the French economists, whose orthodoxy was fortified by unfortunate experiences of recurring revolutions, is manifested in a long line of extremely prolific writers such as Rossi, Chévalier, Joseph Garnier, Bastiat and others. Since 1842 the activity of their school has centred in the publication of the *Journal des Économistes*. Against the socialistic sects they maintain the creed of the economists of the eighteenth century, only in a form modified by the new conditions and in a different spirit. One of their number, the financier, Léon Say, has recently made an open

confession. "The science," he says, "has neither in practice nor in theory shown a growth equal to that of the demands made upon it. One does not even take the trouble to combat on scientific or political grounds the ideas which come from Germany; our economists slumber in indolent optimism on the cushion of *laissez faire*." (*Le socialisme d'état*, 1884.)

CHAPTER VI.

GERMAN POLITICAL ECONOMY IN THE FIRST HALF OF THE NINETEENTH CENTURY.

In speaking of the influence of Adam Smith we concluded with the words in which, even as late as 1869, Rau acknowledged that the German national economy was still to be regarded as the system of Adam Smith. Rau's assertion would have been still more appropriate, though of course not so strikingly modest and candid, if applied to German political economy at the beginning of the century.

This was largely due to the wide scope and unsystematized diversity of knowledge covered by the cameralistic science of an earlier period. This inclined representatives of the science to content themselves with an uncritical presentation of the new doctrines. Roscher tells us that Chr. J. Kraus, an academic representative of this branch of learning, besides lecturing on political science and cameralistics, gave lectures on the Greek classics, on history, mathematics, practical philosophy and the encyclopædia of the sciences. Under such conditions it is indeed difficult to conceive how he found time or place for any thorough criticism or development of political economy.

In a comparison with such predecessors as these we have the only standard by which we may rightly measure and appreciate the merits of Karl Heinrich Rau, who in his "*Lehrbuch der politischen Oekonomie*"*

* Published in three parts (1826-1869). I—"Grundsätze der Volkswirtschaftslehre" (Principles of Political Economy). II—"Grundsätze der Volkswirtschaftspolitik" (Principles of Economic Politics). III—"Grundsätze der Finanzwissenschaft" (Principles of Finance).

accomplished all that could possibly be attained by combining the cameralistic traditions with the system and spirit of Adam Smith. A wonderful industry and the activity of his whole scholastic life was devoted to the work; a mass of literature, legislation and statistics was collected and worked over in it; the stock of quotations inherited from his predecessors was handed down to his successors enriched by many important additions. At the same time, the book written, as was customary then, with a view to practical use in the management of State affairs ("with constant reference to the existing public institutions"), fulfilled its purpose all the better because the author himself had participated in the public administration, and given it the benefit of his well-ordered counsels.

During the second third of the century Rau's work enjoyed great and well-deserved respect both in Germany and in other countries.

We encounter a similar close relationship to Adam Smith in the work of F. B. W. Hermann. But Hermann was more incisive in his criticisms than Rau, and his monographic publications contributed to the development of certain special doctrines. His political-economical investigations of the subjects of property, economic activity, productivity of labor, capital, price, profits, income and consumption ("*Staatswirthschaftlichen Untersuchungen über Vermögen, Wirthschaft, Productivität der Arbeiten, Kapital, Preis, Gewinn, Einkommen und Verbrauch*," 1832), have within the narrow limits indicated by the title of his work exerted a very enduring and creditable influence. English political economy of a generation later was still pursuing many lines of progress which Hermann had already traced out in this work.

The posthumous second edition of Hermann's writings unfortunately does not reveal that advance which might have been expected from the life work of so clever a man. While the verbosity of the new edition is greater it reveals a consciousness of the needed solution of certain deeper problems, together with an incapacity for dealing with them.

Essentially superior to Hermann is Johann Heinrich von Thünen. The practical personality of the man awakens at once our expectations. An agriculturist his entire life, he was one of those rare natures who, far from pursuing knowledge as a profession, serve their chosen science from unselfish motives, retaining, as it were, all the enthusiasm and devotion of a first youthful love. In this respect he should be an example for all those practical people who never cease to oppose theory, not because of the theories themselves but because of their ignorance of them.

There is another trait of character which endears him to us. In the retirement and solitude of his Mecklenburg estate during the first quarter of this century, he began reflecting upon the condition of the working classes, and seeking to find some explanation of it which should satisfy the promptings of his heart. He did not succeed in attaining the end in view; indeed, from the point at which he started he could not succeed. But keeping within the limits of his scientific method, he produced a work which has survived him, and will endure for a long time to come. It was "*Der isolirte Staat*,"* an examination of the influence exerted upon agriculture by the price of grain, the fertility of the soil, and taxes, or in other words, an

* *Der isolirte Staat in Beziehung auf Landwirthschaft und Nationalökonomie.* (The Isolated State in its Relations to Agriculture and Political Economy), 1826.

examination of the reasons which determine the intensity of the several branches of forestry and agriculture.

This work was an application of that method of isolating abstract ideas which others, notably Ricardo, had before made use of ; but von Thünen in his completion of the Ricardian theory of rent, applied the method with greater care and precision.

A second enlarged and improved edition of his work appeared in 1842, as the first volume of a larger work. The second and third came out between 1850 and 1863. The former year was the date of the author's death (September 22). The second volume deals with what von Thünen calls the "natural wages of labor;" that is, the search after a standard or just measure of wages in that portion of the total product which is the outcome of labor. The indignation which he manifests toward the English economists, for meaning something quite different from this standard of justice in their use of the term "natural" wages, does honor to his heart. Nevertheless, Smith and his followers could no more be forbidden to use that ambiguous term, "natural," in the sense they were so fond of (meaning cost price in distinction from market price), than they could be reproached, because they did not, like von Thünen, broaden the meaning of the word to include a problem, which from its very nature is insolvable.

All the more grateful should be the recognition of the debt which the history of the science owes to this strong desire to break through the barriers of the old school—a desire which is revealed in the above problem, but which certainly could not be satisfied so long as the spell, the methods, or the standpoint of the old school still prevailed. On the contrary, if the problem was to be solved, the fact of the totality of the product which

results from the co-operation of labor and capital must be accepted as the starting-point from which the question of distribution, in its relation to social development, should be investigated.

An economist who resembled von Thünen in being closely connected with practical affairs, while differing widely from him as to method, was J. G. Hoffman, an official of long experience in the Prussian Civil Service. He was for many years not only Director of the Prussian Statistical Bureau, but also Professor of Political Science in the University of Berlin and a member of the Berlin Academy. He possessed, moreover, a fertile literary talent, which to be sure he did not reveal until his old age, when he brought together the results of the labors of his lifetime. But notwithstanding all this, all his writings show the unmistakable traces of the practical man of affairs. The very arrangement of his material is faulty; a diffuse verbosity conceals the train of thought; and many good ideas lack elaboration or the formulation of their final conclusions. But, on the other hand, this excellent man, deeply imbued though he was with the influence of Adam Smith and the traditions of the old régime, gives us an abundance of acute observations which, though not fully utilized in their scientific significance, constituted, in their telling realism, a radical departure from the old school and its errors.

The list of his writings is as follows : "*Die Lehre vom Gelde, mit besonderer Rücksicht auf den preussischen Staat*," (Theory of Money with special reference to Prussia), 1838; "*Die Zeichen der Zeit im Deutschen Münzwesen*" (Signs of the times in German coinage systems), 1841; "*Die Lehre von den Steuern, mit, besonderer Rücksicht auf den preussischen Staat*" (Theory of Taxation with special reference to Prussia), 1840; "*Die Befugniss*

zum Gewerbebetriebe, zur Berichtigung der Urtheile über Gewerbefreiheit und Gewerbezwang, mit besonderer Rücksicht auf den preussischen Staat" (Rights of Industry, contribution to the question of industrial freedom or regulation, with special reference to Prussia), 1841; "*Sammlung kleiner Schriften staatswirthschaftlichen Inhalts*" (Collection of minor economic writings), 1843; "*Nachlass kleiner Schriften staatswirthschaftlichen Inhalts*" (Collection of posthumous minor economic writings), 1847. Although the last publication was called a posthumous, Hoffman himself was the editor (having finished the book on his eighty-second birthday, July 20, 1846). All these works are an important source of historical information in regard to the views and convictions which dominated the best minds of the Prussian bureaucracy during the first third of this century. They are, moreover, of lasting value for the study of the Prussian financial and economic policy and of its relation to economic theory.

It is perhaps, a matter of surprise that the important influence which we are accustomed to call the "historical school" took root so late comparatively in our science. It was doubtless due to the lofty self-sufficiency of the science and its contentment with doctrines which were asserted to be independent of historical facts. While language, law, and the state were coming to a true consciousness of their own nature under the guidance of historical investigation, political economy steadfastly adhered to those eighteenth century illusions which had transformed the historical into the natural. This coagulated mass of "natural" matter concealed from the eye both the actual course of the stream of development and the component parts of its content.

Individual thinkers, indeed, who were dissatisfied with this condition of things were not lacking. Such

was Sismondi, to whom we have already been introduced; and we shall presently encounter a great literary movement which, in the main, signified nothing more or less than a vigorous protest against the prevailing political economy. Moreover there was no lack whatever of discontents outside the circle of professional economists. Side by side with the protest of socialism and communism but springing, to be sure, from a different root was the dissatisfaction of the better educated and more thoughtful classes. We still have in the England of to-day living examples of this spirit of dissatisfaction in the philosophers, historians, and humanists who cherish an inextinguishable hatred of political economy. But clearly no reasonable man can be angry with a science, but only with those who are at the time its representatives, and with them only because of what they proclaim in the name of their science.

A prominent opponent of the English political economy at the beginning of this century was Adam Müller (1779-1829). He occupied a position half-way between the adherents of the science and the outsiders. His standpoint, indeed, was that which characterized the beginnings of the historical school. But his was really a case of a man in the wrong time and place—an isolated case, not followed by any further developments in the direction of the clearness and serious scientific methods which we admire in that school.

His main work, "*Die Elemente der Staatskunst*" (The Elements of Statesmanship), was the outcome of a series of lectures delivered to princes and statesmen in 1808-1809. It was followed by "*Theorie des Geldes*" (Theory of Money), 1816, and his work, "*Von der Nothwendigkeit einer theologischen Grundlage der gesamten Staatswissenschaften und der Staatswirthschaft ins-*

besondere”* (On the necessity of a Theological Foundation for all Political Sciences and for Political Economy in particular) 1819. Müller regards Adam Smith as the most learned economist of all times, but he sees in him (as did Franz List a generation later) the one-sided representative of English economic conditions and interests. In contrast to Smith and most of his contemporaries, Müller insists that man cannot be conceived outside of the State. He attacked certain features of the prevailing theories in many brilliant sallies. That these attacks, however, were rendered ineffective through their vagaries was only to be expected since they emanated from a mind which denominated definitions the poison of science. But if clear conceptions are poison so must clear thinking be as well. Consequently it is very instructive to note that that mystical play upon words revealed in such expressions as “immaterial capital,” or in the demand that the statesman himself should be “living money,” may already be found in Müller’s writings; and that in his references to the “slavery which the great mass of the people suffers at the hands of the money monopolists,” we meet with those catch-words of Romanticism which meet half-way the opposition of the radicals.

In Adam Müller we have an illustration of the ineffectiveness of a highly gifted mind without the discipline of methodical thinking. No traces of his influence are to be met with in German political economy until his writings were brought to light by men who supplied this lack of clear thinking and had learned to appreciate the worth of these earlier germs of thought.

* W. Roscher, “*Die Romantische Schule der Nationalökonomie in Deutschland.*” *Zeitschrift für die ges. Staatswissenschaften*, 1870, vol. xxvi.

Müller's friend, Friedrich Gentz, who belonged to the Romantic school by personal attachments and political development, did not produce any writings like Müller's. Still less can this be said of the English statesman, Edmund Burke, who was, on the contrary, a pronounced follower of Adam Smith, and can be counted among the Romanticists only on some such remote grounds as those on which they claim Goethe. Burke's renunciation of the French Revolution * was, to be sure, thoroughly in keeping with the tone of the romantic and historical schools, and certainly contained the germs of an historical view of state and society such as was destined later to overcome the doctrine of natural rights even in the science of political economy. But, considering how intellectual life develops, this by no means precludes his being, in the main, unconscious of what his views involved. We have repeated instances of this same thing: as when F. J. Stahl incorporates the economic doctrines of Adam Smith in his "Philosophy of Law," or Ihering in his "*Geist des römischen Rechts*" (Spirit of Roman Law), seeks support in the ideas of Rau.

There are other Romanticists to be mentioned whose attitude toward the political economy of Adam Smith is similar to Müller's. In the first place there was the patrician of Berne, Karl Ludwig von Haller, whose main work was upon the "*Restauration der Staatswissenschaft oder Theorie des natürlich-geselligen Zustandes der Chimäre des künstlich-bürgerlichen entgegengesetzt*." (The restoration of political science or the theory of the natural and social condition of society as opposed to that chimera the artificial and civic society.) As a result of his mediæval view of the State he develops a theory of

* "Reflections on the Revolution in France," 1789, German translation by F. Gentz.

public finance and taxation which accords with his conception of the state drawn from private right, and which might contribute to the more recent controversies about the bases of taxation some remarkable points of view calculated to throw light upon the question *e contrario*.

Then there was the younger member of the æsthetic romantic circle in Berlin, Alexander von der Marwitz. Traces of his literary talent are to be found in his correspondence with Rahel Varnhagen to which List in the preface to "*Das nationale System der politischen Oekonomie*" (1841), refers in emphatic terms of praise. In one of these letters (1810), von der Marwitz writes of Smith and his German followers: "All their wisdom is derived from Adam Smith—a narrow man, although acute within the range of his narrowness,—whose theories they expound on every occasion, with tedious diffuseness, repeating his precepts like schoolboys reciting their lessons. His wisdom is of a very convenient sort, for independent of all ideas and untrammelled by all other tendencies in human existence, he constructs a commercial State equally suitable for all nations and all conditions. The only statesmanship required consists in letting people do what they like. His point of view is that of private interests; that there must be any higher one for the state he never once imagines; . . . and when towards the end of his work he comes to speak of important state affairs, of carrying on war, administering justice, and of education, he becomes absolutely foolish."

The young man who wrote these words List called the greatest economist of Germany. "And he must needs die before he had recognized his great mission."

This is the appropriate place to speak of List himself. He was anything but a Romanticist, although, by his

own statement, personally acquainted with Ad. Müller and Gentz. His relation to Romanticism was similar to the relation of the national uprising in the War of Liberation to this great intellectual movement. Just as that uprising, after its ideal elements had gathered strength in the twilight of the previous age, brought that product of modern times, the national state, to the light of living reality, so List's agitation in the service of German political economy, thoroughly realistic as it was, consisted of practical deductions drawn from those promptings of Romanticism which were partly literary, partly vague and confused, but, in their national significance, thoroughly wholesome and fruitful.

He was so pre-eminently a practical political economist that his full significance was not recognized until the present day,* after all, that for which he labored, and for which like a true apostle he suffered, has been accomplished. Now, that this recognition has once been accorded, it has occasionally led to an over-estimate of the worth of his scientific services. For they do not equal the great practical importance of his work. It is the strong impression created by a belated gratitude to the great patriot, which leads to the laudation to-day of List's scientific importance, by the very economic historians who not long ago denied his merits.

The method in which he simplifies the economic development of nations by reducing it to three typical stages is not true to historical growth. This development does not follow so direct and uniform a course, nor has it always been the same in the different nations of civilization. In trade and industry Germany in the Middle Ages stood in the same relation to England as

* His principal work is "*Das nationale System der politischen Oekonomie*," 7th ed., with a historical and critical introduction, by K. Th. Eheberg, 1883. His "Collected Works" were published by L. Häusser, 2 volumes, 1850.

the latter did to Germany in the time of List, and in that earlier period the struggle of the English to assert their "national productive power" against the foreigners presented the same spectacle as did the struggle of these foreigners against the English in the eighteenth or more especially the nineteenth century.

Again, List's "*Theorie der Produktivkräfte*" (Theory of the Productive Forces) lacks scientific soundness. The dazzling contrast between "productive powers" and "exchange values" suited the needs of agitation, in coining useful catchwords; but it was no clear and definite conception.

He centred his efforts upon one single aim, to the neglect of certain great problems in the new economic conditions, such as no true reformer of economic science at that time could have overlooked. While directing his attention to the increase of national productive power, he failed to emphasize the significance of the human element in the economic system; the problem of distribution did not occupy his thoughts.

Such strictures as these detract nothing, however, from the great practical services which this man rendered, or from the glory of his patriotic martyrdom. Viewed from this standpoint, his unusually active life was so completely occupied with his agitation for German economic unity of territory, a German railroad system and German industrial prosperity, that it would be mere perversity to censure him for a lack of other efforts for which he had no time or opportunity.

Moreover there is no doubt but that his services proved to be of benefit to German political economy, but the very fact that this benefit was first realized through the subsequent labors of investigators who were truly scientific indicates that he himself did

not sufficiently appreciate the scientific bearing of his schemes.

Theodor Bernhardi was a man of essentially different type, superior to List in learning and more penetrating in his criticisms of the English theory. He was the author of "*Versuch einer Kritik der Gründe, die für grosses und kleines Grundeigenthum angeführt werden.*" (A critical essay on the respective arguments in favor of small and of large estates in the ownership of land.) It was written in 1846, and published at St. Petersburg in 1849.

Taking up this question in connection with the current German literature on the subject, he resolves it into fundamental questions of economic principles. He proves himself a bitter opponent of the English and French school, launching his destructive scorn not so much, however, against Smith and Ricardo, the masters of that school, as against their successors, such as Say and McCulloch. At the same time he was a liberally educated politician and historian rather than a true political economist, for he does not really take up and discuss his opponents' manner of reasoning, which is what ought to be done in any effective refutation of their theories. He was one of those critics who, like Sismondi before him and many others after him, without having read Ricardo thoughtfully or without having understood him, proceed to bring in an indictment against the misanthrope on grounds which are not apparent to the careful student of Ricardo's writings. The following passage from Bernhardi's works points out the defectiveness of the traditional method he was opposing, but at the same time reveals a characteristic disinclination to recognize the value of this method within its proper limits: "The passionate optimists of the

industrial system represent each of these disturbing crises as something isolated and accidental—a phenomenon always referable to some definite specific cause, which indeed is always present, so that we find ourselves in a society which is purely exceptional, as if events did not belong to the regular course of things in this world and we could look forward to a time when nothing will occur.” But to say this is, in effect, to break one’s staff over every scientific abstraction and to deny the relative value of the hypotheses of our science.

All the greater is the victory which Bernhardt wins over McCulloch and Senior, when with his own higher ethical-historical view of national life he disproves their theories of “immaterial capital,” or when he emphasizes the superiority of mind over economic interests in his refutation of views which would measure the worth of the state, war education, knowledge and talent, by the standard of economic productivity—precisely the error in which List sought out the theoretical weapons for his use as an agitator.

We are now at the middle of the nineteenth century, the turning point at which the science of political economy takes a new departure under the influence of the historical school. But before discussing this new development, to which we shall properly devote a separate chapter, we must mention a man whose influence, began, beyond question, to make itself felt in the second third of the century, while his scientific position was, for a long time after that, a monumental example for those who would reform German political economy by means of historical investigation. We refer to Georg Hanssen. Subsequent leaders of the historical movement, whose acquaintance we shall presently make, were forced to apply their efforts, first and principally,

to the discussion of method and fundamental principles in order to settle the many doubtful points which necessarily obstructed a clear-cut relation to the old school, but before their day, appeared this historian, who like the poet, who is unmindful of the principles of æsthetics, produced imperishable works. The subject of Hanssen's investigations was the system of land-holding. His essays, from the first to the last, cover a period of half a century. Yet, when the collected edition of his writings appeared in 1880,* containing some of his earliest productions, one realized how few traces of age were to be found in them. The earliest seemed as fresh as the latest.

Thus, while the conflict rages between the changing schools and methods, and one hypothesis after another finds favor, only to be again rejected, there are, nevertheless, certain resting places, and secure positions which give us the consoling assurance that, with all the uncertainties of knowledge, some fortunate minds will be permitted to attain results which are lasting.

* "*Agrarhistorische Abhandlungen*," 1880. Vol. ii, 1884.

CHAPTER VII.

THE SOCIALISTIC LITERATURE OF FRANCE AND GERMANY.

We cannot take up the consideration of the new German national economy without first examining the socialistic literature which has exerted its own remarkable influence on the German science.

The term "Socialist" was introduced into general use by the first French historian of socialistic writings, Louis Reybaud, who borrowed the word from Pierre Leroux.

The common feature of all this literature is found in its purpose: The improvement of the condition of the laboring masses. This is to be accomplished by an organization of society which shall subject personal liberty, as it now exists in the form developed by recent changes, to regulation and restraint in the interests of the whole community. What form this new organization shall assume is a question which is differently answered in a diversity of systems and projects to which various names have been given, either by the projectors themselves, or by others. Of these names communism is one which has sometimes been applied to all these systems and again only to some of them, without anyone being able—however often it has been attempted—to draw any fundamental distinction between that term and socialism.

The originators themselves were to a greater or less degree conscious of the wholly impracticable character of their projects. This was still more true in preceding centuries, when the very title of *Political Romances* adopted

for these writings, suggested fiction and renounced all claim to the possibility of immediate realization; when indeed the earliest of these works, the forerunner of the entire literature, was given the title of "*Utopia*," or "Nowhere," by its author, Thomas More. Similar instances may be found even in the literature of the nineteenth century (for example the "*Voyage en Icarie*" of Cabet, 1840); but they fall into the background, yielding place to the explicit formulation of a practical, socialistic policy intended for the present, or for the immediate future.

In conformity with this tendency the socialists have eliminated more and more the utopian element from their writings, but not without retaining a large residuum of it to the last. The nearest approach to a treatment of social topics which borders on the practicable has been made in what is significantly not only the latest development of socialism, but is also the one which is connected with the German economic science, and has therefore received the name of *scientific socialism*. For, after indulging in all sorts of unrestrained fancies as regards the ideal state of society, the socialists finally announced their serious intention of taking up the line of reasoning which had hitherto been confined to professional economists; and thus there came to be a bit of common ground to stand on within the realm of reality.

It has often been supposed that socialism, if it did not found a new science, at least gave rise to one. This, however, cannot be admitted. A new science arises when some group of phenomena, which hitherto has not been subjected to any scientific treatment, is brought within the grasp of systematic thinking, or when, by the process of division and differentiation, some portion

of a science already developed is separated from the parent stem to enter upon a new and independent life of its own.

Neither of these conditions is fulfilled in socialism. The field upon which it enters was appropriated and worked over by the political economy of the eighteenth century, and in fact by the very men who founded the science in France. We have seen that even a revolutionary disposition was not lacking in these first thinkers, and that, in the unhistorical nature of the demands made on the State, they came into contact with socialistic ideas. The socialists propose other and bolder innovations, but that plainly does not give them the right to call themselves the founders of a new science. Their claims, it is true, were presented at a period when the good old traditions of political economy were forgotten, when the industrial society had settled down comfortably in the acceptance of economic doctrines which were subservient to its interests, and had long since divested it of any tendency toward social reform. But all that does not change the one decisive fact that a science intended to be the science of society had long existed, and needed only to be revived in order to fulfill its mission. At the same time it may properly be conceded that socialism essentially promoted the revival of the science, and the importance of this reviving influence shall by no means be ignored; but even in that case socialism is at most nothing more than an element in the literature of political economy. This honor may be accorded it with as good a right as many utopias of an opposite tendency, which in their assumption of orthodoxy never once imagine that they are almost as far removed from the principles and relations of actual social life as are their extreme opponents with whom

they do battle from the standpoint of "science." This claim to a place in the literature of our science will present itself with great weight when we come to consider the more recent socialistic writings of Germany.

But it is, nevertheless, an excessive step in this direction, when with an increasing comprehension of the "scientific socialism" it has lead certain German political economists to propose that the term socialism be transplanted from the domain of utopias to that of strict science. For as every one knows, it is not the sound or the etymological derivation of a word which determines its meaning; since every word which has been in use for so long a time, and especially so much used in a very definite sense, acquires the ineffaceable impress of its history. Confusion of thought, and even embarrassment in the practical affairs of business, would result if a word thus marked should some day be so used, that it really meant something quite different.

Experience has already confirmed the above assertion; for in the first place, confusion of thought has actually been increased by such a treatment of the word, socialism; and in the second place, those writers who formerly introduced this objectionable terminology have quite recently begun to realize that it is advisable to adopt the clear distinction they so long disregarded.

It is no accident, much as the apparent contradiction surprises us, that socialistic systems have often been produced or fostered in minds which were even better qualified for the usual speculative enterprises of the business world than for social reforms. Michel Chevalier, *Enfantin* and the *Pereire* brothers, began in the school of French socialism, but soon transferred their talents to the realities of founding and administering business enterprises. *Henri Saint-Simon*, on the other

hand, after the wreck of his numerous industrial projects, devoted himself more and more to the elaboration of his philanthropic schemes.* This nephew of the rich Duke of Saint-Simon was still a young man of twenty-one, and, like Lafayette, had fought under Washington, when he laid before the Viceroy of Mexico a plan for cutting a canal through the Isthmus of Panama. Afterward, in 1787, he undertook to construct a canal connecting the capital of Spain with the ocean. Returning to France toward the close of 1789, he engaged in financial speculations in company with Count Redern, of Prussia. He asserts that these speculations were profitable, but that he was duped by his partner, who thought only of the financial gains, while he himself was working for glory.† Nevertheless, in 1811, Saint-Simon again invited this same Count Redern to join him in another enterprise—and of what sort? “In the organization of a good system of philosophy, that is, a good history of the past and future of the human race.”‡ In the mean time he had sunk to the depths of misery, suffering from poverty and sickness. In 1805 he became a copyist in the Loan office at a salary of 1000 francs a year. From this condition he was rescued through the benevolence of an old acquaintance. He now began his publications on philosophy, mathematics, and the natural sciences, with which he sought to secure the favor and support of learned societies. He was literally starving when, in 1813, he wrote

* The collected writings of Saint-Simon (*Oeuvres de Saint Simon*, 7 vols., Paris, 1868-1869), were published under the direction of his pupil Enfantin. They form part of a larger collection, the “*Oeuvres de Saint-Simon et d' Enfantin*.” The edition is a beautiful and attractive one. Enfantin's wealth which was greater than that of Saint-Simon defrayed the expenses of publication.

† “*Histoire de ma vie*” *Oeuvres*, vol. i, pp. 64-88. This autobiography was written in 1808.

‡ *Oeuvres*, vol. i, p. 111.

to the Emperor, "For fifteen years I have labored upon a work which would soon be completed if I had the means for existence; MM. Cuvier and Hallé are acquainted with it and find that it contains great and new ideas."* At the time of the fall of Napoleon, he took up in his writings, the political questions of the day, and in this way he came to study the social question. It is no easy matter to read these writings; lofty ideas and noble feelings are commingled in that confusion of subjective originality which we so often encounter in the domain of political and socialistic literature. Nor is it probable that these writings alone would have given him any such reputation and influence as he acquired through his pupils as the result of his personal influence over them.

The socialistic tendency in Saint-Simon, as it seems to me, first became prominent in 1817. It is revealed in the prospectus (April, 1817), of a projected periodical, entitled:† *Industrie, ou Discussions politiques, morales et philosophiques, dans l'intérêt de tous les hommes livrés à des travaux utiles et indépendants*, with the motto: "*Tout par l'industrie, tout pour elle.*" This prospectus says: "The eighteenth century could only destroy; we intend to lay the foundations of a new structure, or, in other words, propound and discuss the question of the common welfare, which has hitherto hardly been touched upon, and in that way recall politics, ethics and philosophy from their abstract and unprofitable speculations to their proper theme of study, the social welfare. All society is based on labor; labor is the only guarantee of its existence, the only source of its wealth." The work

* *Oeuvres*, vol. i, p. 143. The letter begins: *Sire, je suis le cousin du duc de Saint-Simon.*

† *Oeuvres*, vol. ii, p. 12.

announced in this prospectus appeared immediately (May, 1817). The "*Politique*" of Saint-Simon's adopted son, Augustin Thierry, the historian of later date, formed the second part of the first volume. Other publications soon followed ("*Le Politique*," 1819; "*L'Organisateur*," 1819-20; "*Du Système industriel*," 1821; "*Nouveau Christianisme*," 1825).

Saint-Simon's ideas are expressed in obscure form, and must with difficulty be separated from his effusions on philosophical and constitutional questions. He speaks much about the opposition between the industrial class and the legitimists and nobles, as if within the former or economically productive class, comprising as it does, managers and workmen, the social interests were harmonious. The duty of interfering in behalf of the needy did not assume a prominent place in his writings until the last years of his life; his later productions bear such mottoes as "God said, Love and help one another," or "He that loveth his brother, fulfilleth the law." His last words in his last work, the "*Nouveau Christianisme*," are addressed to princes in the tone of a prophet: "Hear the voice of God, speaking to you through my mouth; remember that God commands the mighty to devote all their strength to the promotion of the social prosperity of the poor."

It is in this last work of his in which he speaks of "*Christianisme actif*," practical Christianity, demanding a new society based on brotherly love, in much the same way as the Christian socialists of England did a generation later.

The teachings of Saint-Simon first acquired a firm structure after his death, through his disciples. The freer intellectual atmosphere created by the July revolution favored the spread of his doctrines. The

"Saint-Simonian religion" was proclaimed, and its "Priest," Enfantin appealed to the people in the following words: "Parliamentary government and its bourgeois mysticism is dying, the Republic with its anarchy cannot be brought into the world—and no resurrection awaits the legitimists and privileged classes in their ancient palaces. All social institutions must have in view the improvement of the moral, intellectual and physical lot of the poorest and most numerous class: to every one work according to his calling and recompense according to his works." *

A good literary testimonial of the influence of Saint-Simon is to be found in Bazard's "*Doctrine de Saint-Simon*" (Exposition première année, 1828-29) published in Paris in 1831. Here for the first time we have the unmistakable language of socialism, which has since been heard constantly for half a century, but which we miss in the writings of Saint-Simon himself. Take for instance the following passage in Bazard's work:

"Nature, God, utility have permitted man to hold slaves; later they forbade him from so doing; to-day they still permit him to lead a life of idleness, living by the sweat of the laborer, the tears of the child and the aged; but Saint-Simon has come to proclaim a new gospel: 'Thine idleness,' he says, 'is opposed to nature, to God, to utility. Thou shalt work!' . . . And what is the answer given by our economists, politicians and jurists? Will their science prove to us that riches and poverty are always to be inherited, that leisure is to be obtained through leisure, that wealth is to be the inalienable heritage of laziness? Do they mean to say that the son of the poor is as free as the son of the rich? Free

* "*Religion Saint-Simonienne. A tous.*" Paris, 1832. A la librairie Saint-Simonienne, rue Monsigny, 6.

when he has no bread! That each has equal rights? Equal rights, when one has the right to live without labor, and the other without labor has only the right to die! . . . They incessantly repeat to us that property is the basis of social order: very good, this eternal truth we too proclaim! But who shall own the property? Shall it be the idle son, the ignorant and useless—or the man who is capable of worthily fulfilling his social functions? They assert that privileges of birth have been abolished. What, then, is the family right of inheritance, resting merely on propagation of blood, but the most immoral of all privileges, because one can thereby live without work? . . . All our theorists are held in the spell of the past; they say that the son has always inherited from the father—with just as much reason might a heathen have answered the claims of Christianity by affirming that the free man had always held slaves. But from Christ humanity received the gospel of no more slavery; from Saint-Simon that of no more right of inheritance; to everyone according to his ability and to ability according to its work.”

Thus reads an extract from the program of the new movement—full of fiery eloquence with no lack of incisive criticism of the argument of its opponents. Its demands go further than a just division of the means and products of labor; it requires that the feelings, knowledge and skill of the laborer should be cultivated; it demands in short his education in every sense of the word.

Let us remember that men like Augustin Thierry and Auguste Comte belonged to the school, the former, as early as 1825, brought out his great work, “*Histoire de la Conquête de l’Angleterre par les Normands*,” which secured him membership in the Institute; the latter, while resembling his master in many respects, was

altogether more important and influential as a philosophical historian whose philosophy perhaps corresponded roughly to that "new science" which Saint-Simon sought to establish. Recalling these men, we can but consider the writings of this sect with serious attention, which in the development of German political economy they have not failed to receive. Their enthusiasm over their philosophy of history gave rise to exaggerations which they had to correct in later life; but all such subsequent retractions, corrections and greater toleration in their portrayal of past institutions, as well as their more mature consideration of feasible plans for the reform of present ones, could only modify their criticism on modern society without destroying the force of it.

We have thus devoted especial attention to these first and most prominent French Socialists. It will of course be impossible in this sketch to discuss the others as fully. It will always be remarkable in the history of this literature and of the socialistic movement that contemporaneous with Saint-Simon, but independent of him, there appeared another, differing from him in many respects and yet like him, an eccentric character, a visionary social reformer, who pursued his own remarkable course, and succeeded nevertheless in gradually gaining influence and a following, although—like Saint-Simon again—not until after death. This man was Charles Fourier. In 1808 he published his "*Theorie des quatre mouvements*," in which the leading ideas of his system were already laid down, viz., the substitution of "societary" for private households, and the organization of mankind in what he calls "phalanges," or associations, which should live in barracks scattered throughout the country, and rely on agriculture for support. Within

these associations harmonious feelings would prevail as a result of the free play of that instinct in man which finds delight in change and variety of occupation. This first production of Fourier's remained long unknown. It was followed by a series of other writings, among them, in 1829, the work which gives the clearest presentation of his views, "*Le Nouveau Monde industriel et sociétaire*."*

From the chaos of his phantasies two positive elements have survived: first, his exposition of production on a large scale; here his views have been confirmed by the facts of experience in an age which has quietly undertaken to secure the advantages of that form of production; and, secondly, his emphasis of co-operation as a remedy for the evils of modern society. Fourier has become known as the instigator of the practical co-operative movement in France in much the same way as Robert Owen was in England. The results of this movement were at any rate such that the prevailing orthodoxy of the economists had occasion to protest against the idea that truth could ever be derived from error.†

The most important of Fourier's disciples is Victor Considérant, author of "*Destinée sociale*" (2 volumes 1837-38), a work prefaced by an illustration of the "phalanstère" (*Idée d'un Phalanstère*). The desire of Saint-Simon and Fourier to make their science such that it admitted of mathematical demonstration is also characteristic of Considérant, who was, at one time, a student in the *école polytechnique* and captain of the *Ingenieur Corps*. That word "science" meaning, according to the specific usage of the French and English,

* "*Oeuvres Complètes*" de Ch. Fourier t. vi, Paris, 1845, à la librairie sociétaire.

† Jos. Garnier, *Journal des Economistes*, Novembre, 1867.

such exact knowledge as prevails in mathematics and the natural sciences, was accepted in all seriousness by Considérant. Here again there is a point of contact between socialism and its extreme opponents: "The proposed method first constructs in imagination a society inhabiting any sphere you please. In this society the social causes of evil are not present, and men employ their strength solely for the happiness of their fellows." In other words "the method is the same which is adopted in the solution of all mathematical problems." (I. 23.)

The most prolific of all these socialistic writers, P. J. Proudhon, began his work somewhat later than those already mentioned.* In his youth he acquired a wide reputation from his work "*Qu'est ce que la propriété*," in which he asserts that "property is theft." As years went by he developed in maturity of thought and moderation of tone, so that any adequate criticism of his achievements will not overlook his later productions, and especially those of a philosophical nature, which appeared only a few years before his death (1865).†

His social and political standpoint was quite peculiar, and not in keeping with the conception of socialism presented above. He adopts a system which he himself calls "mutualism:" that is, a social order in which all have a complete equality of rights based on real reciprocity or exchange of like services. This social order was not to be founded on any compulsion of public authority, but on the inherent power of justice. (Proudhon's

* "*Oeuvres complètes*" 37 volumes, Paris, 1873-83. Cf. Lexis, *Zeitschrift für die gesamte Staatswissenschaft*, Vol. xxxvii, 1881. The work of Proudhon on "*Die Philosophie des Elends*" (Philosophy of Misery) appeared in 1846, and was attacked by Karl Marx in a book entitled "*Das Elend der Philosophie*." (The Misery of Philosophy), 1847.

† Marx says he had to his great disadvantage infected him with Hegelianism (*Sozialdemokrat*, 1865), and Karl Grün continued it.

principal philosophical work is a discussion of "*Justice*." He therefore represents individualism in distinction from socialism; indeed, his enthusiasm for the abstract principle of personal liberty finds expression in that other catchword, which also originated with him and has fallen into such evil hands, "anarchy."

But this very delusion of his as to the possibility of constructing a new social order through the spontaneous action of moral ideas, brings him into close connection with the older socialists, and is remote from the actual social world and its problems of reform. The argument of his dream meets with a practical refutation in the actual and latest form of anarchy which—far indeed from realizing Proudhon's idea—reveals the real course which individualism will take when it starts out to subserve the interests of the suffering classes, by overthrowing the authority of the state.

Last of all comes Louis Blanc (1811-1882). Of all French socialists, he is the one who came nearest the world of reality. He was at least, so far removed from the phantasies of a Saint-Simon or a Fourier, that he did not imagine that he could redeem mankind either through the power of a new social religion, which only continued to repeat what had already been repeated for thousands of years, or even through any perversion of the psychological nature of work. Again, in contrast with Proudhon, who in common with both these others, erred in thinking to transform society by the spontaneous power of moral ideas, and indeed systematically rejected the authority of the state, Louis Blanc, in simple intelligible language, pointed out the sphere of the existing state activity, and proposed to widen that sphere, counteracting the evils of free competition while accepting its spontaneous formations as the

starting point for his reforms. We are here for the first time upon the *terra firma* of reality; the Utopian element is still present, but has withdrawn to a region in which the discussion is carried on by reasonable men, who, however much they may differ from one another in their views, have all ceased to find arguments in dreams of a new Christianity or of a reform of labor effected by the aid of the butterfly instinct in man.

Louis Blanc was a socialist, somewhat akin to the German socialists, whose acquaintance we shall presently make. In his plans he came in contact with them, or they with him. He became widely known very early in life through his "History of the Ten Years 1830-40," and his principal socialistic work, "*Organisation du travail*," (1841). For several years thereafter he was prominent in the politics of the French Republic and then, after undergoing twenty years of exile during the Second Empire, he returned to take part for a decade in the counsels of the new republic. He had evidently been sobered by the influence of maturer years and of his long sojourn in England, where he had come in contact with many Englishmen of note (a fact to which W. T. Thornton testifies in his book "On Labor," 1869).

Notwithstanding its far-fetched conclusions, his book on the "Organization of Labor" is an important work. It begins with the statistics of wages in Paris in order to prove the misery of the laboring population; it then goes on to show how the misery of the system of free competition is not confined to laborers alone, but includes the middle classes as well, since competition gives birth to monopoly. In those days a suit was brought in the courts against two express companies, which had combined to destroy a third competing company; the attorney for the defendant had remarked that anyone

was at liberty to ruin himself in order to ruin another. That, exclaimed Louis Blanc, characterizes this system of competition. The middle class is in process of dissolution: the factories are destroying the workshop; the large stores the small ones; the artisan who was his own master is being displaced by the day laborer who belongs to another, etc. Everything is purchasable; under competition even thoughts can be bought. . . . Then he proceeds to discuss the older experiences of the English economy.

Here we have deductions, and indeed expressions, which reappear soon after in the "Communitistic Manifesto" of Marx and Engels (1848). Moreover, the methods of reform here proposed are similar to those in the Manifesto. The government is to be the supreme regulator of production, and for the fulfillment of this task is to be endowed with great power; it is to destroy competition by means of competition, establishing with the aid of public credit productive associations in all the most important branches of industry, and enacting laws for the conduct of the "*ateliers sociaux*." So far as the capital will permit, all laborers morally capable shall be employed in these enterprises, their wages being provisionally graduated according to the grade of their labor in order to furnish an incentive for rivalry so long as the consequences of their false anti-social education are still manifest. So soon as the new education has effected a change of customs and habits such an incentive will no longer be required. Of course, at all times wages must be amply sufficient for the support of the laborer.

When Louis Blanc, in answer to the sceptic, declares that he does not want the State to do everything, but only to take the initiative, and by its example bring the entire production of the country into line, we are

reminded of Charles Fourier, who in this respect was even more modest; he only wanted a single million to conquer the social world by the triumphant example of his phalanstère.

A special question which engaged Blanc's attention was that of the reward of intellectual labor, and of literary labor in particular. He is of the opinion that the author, to fulfill his mission worthily, must be superior to the prejudices of men, and have the courage to displease them. But what, he says, can be done if, as at present, the author writes for the sake of money, and if the intellects which work for higher ends are thereby ruined? Here again is a great mission for the political organization to fulfill.

As years went by Louis Blanc himself came to entertain more sober views, and his participation in the National Assembly in the later years of his life scarcely reveals any trace of these earlier projects of his, even though he remained to the last a member of the radical left.

During these years, when Louis Blanc and his socialistic schemes formed the centre of public interest, first appeared the German Socialists, who could be called prominent, compared with such unimportant dreamers as Weitling, the author of "*Garantien der Harmonie und Freiheit*," (1842) and who in distinction from other socialists have been called "scientific."

When one emphasizes the scientific character of their work, it is with the thought that these writers, recognizing the obligations which all scientific investigation and progress impose, availed themselves of what specialists had already accomplished in that department of science, to which for more than a century their labor had been devoted and endeavored by scientific methods

and criticism, to develop still further the knowledge which had been acquired. In other words, we are dealing here, not with a romance drawn from the imaginative power of a new apostleship, nor with the originality which results from ignoring all previous thought, since it is thoroughly despised, but, with truly scholarly investigations differing from others of their class, only in the bias of a specific mode of thought.

In so far as the scientific socialism finds its starting point, not in political economy, but in legal and political philosophy, especially in the poetical philosophy of the beginning of the century, it is preceded by a man who, through the boldness of his speculations, will long be conspicuous in the history of German philosophy, Johann Gottlieb Fichte. His "*Geschlossener Handelsstaat*" (The Closed Commercial State), a philosophical sketch, published in 1800, as an appendix to the theory of jurisprudence, and an illustration of a contemplated work on politics, was a conscious reaction against the political theories of his day, and combated the old idea of a *welfare-state** by its direct antithesis. When, says Fichte, it is asserted that the state has nothing further to do beyond protecting the personal rights and property of every citizen, it is tacitly assumed that property exists independently of the state, and that the state has only to consider the conditions of possession which it finds prevailing among its citizens without inquiring into the legal basis of acquisition. "Contrary to this opinion," writes Fichte, "I should say that the object of the state is, first of all, to give each citizen what is his; first place him in possession of his property, and after that, protect him in the enjoyment

* *Wohlfahrtsstaat*. The idea is that the State should not merely protect the persons and property of its citizens, but should endeavor to promote their welfare by some more positive action or interference in their behalf. *Trans.*

of it." Such a duty is based on the principle that all men have the same right to live comfortably, and it must be a man's own fault, if his life is not as pleasant as his neighbor's.

Each individual is the servant of all, receiving in return his just share of the goods of all. The continuance of their condition is guaranteed to all. The government must plan to bring a certain quantity of wares into the market, so as to insure to its subjects the continuous satisfaction of their customary wants at prescribed prices; since foreigners are not subjected to its dominion, the state must be closed against intercourse with other states. "Those systems which advocate freedom of trade, demanding the right to buy and sell in any of the world's markets, were quite suitable for our ancestors, and are a survival of their modes of thinking. We have accepted these systems without examination, and now that we have become accustomed to them, it is not so easy to replace them with something else." Even the interchange of scientific thought with foreign nations must, if permitted at all, be carried on solely through the instrumentality of academies supported for that purpose. Traveling is justifiable only for artists and scholars, the idly curious should no longer be permitted to drag their tedious way through all the lands of the earth.

As for those who object to such a rational system, they are natures which take more delight in striving after gains through cunning than in any security of possession, thus they turn life into a game of chance. They are those who are continually calling for freedom, freedom of trade and acquisition, freedom from supervision and police, freedom from all order and custom. They regard everything which aims to secure rigorous

order as an infringement of their natural liberty; to them the idea of any arrangement of public trade which shall render impossible all swindling speculations, all accidental gains and all sudden acquisitions of wealth is simply repugnant.

So said Fichte, and we note with sorrow how in this bold flight of fancy he looks down with the consciousness of scientific exactness upon the fondness of the age for "enthusiastic fantasies."

We now enter the group of socialistic thinkers, who may fairly be regarded as having a part in scientific political economy.

The first of them is Rodbertus. His train of thought is outlined in his first publication: "*Zur Erkenntniss unserer staatswirthschaftlichen Zustände*" (The Understanding of our Political Economic Condition), appearing in 1842 as the first part of a work which was never continued. A fuller exposition of his views was then presented in his social letters to von Kirchmann ("*Socialen Briefen an Herrn von Kirchmann*," 1850-1851), and especially in the second, entitled, "*Zur Beleuchtung der socialen Frage*" (Elucidation of the Social Question, second edition, 1875). This was followed by his well-known work, "*Zur Erklärung und Abhilfe der heutigen Creditnoth des Grundbesitzes*" (The Present Want of Landed Credit its Explanation and Remedy, 1868-69), published contemporaneously with a series of historical economic articles on the national economy of classic antiquity (Hildebrand's *Jahrbücher* 1863 *et seq.*). Finally many years after his death (1875), a fourth letter to Kirchmann was found among his literary remains, and published with the title, "*Das Kapital*" (1884). Shorter articles appeared in the *Berliner Revue*; the most important, that on the "*Normalarbeitstag*" (Normal Working Day),

having been reprinted in the *Tübingen Zeitschrift für die gesammte Staatswissenschaft* in 1878.

Rodbertus (who adopted the surname of Jagetzow from the name of his estate in Pomerania) deduces his doctrine that labor is the sole basis of economic value from the accepted theory of the English school. We have seen that the revolutionary use of this doctrine in the service of the so-called working classes in the narrower sense of the term, is by no means so new a thing as it is generally represented to be. It was already observable in the theory and practice which in the eighteenth century preceded the French Revolution. The same thought appeared again as the fundamental idea of French socialism in the beginning of this century. Rodbertus, however, and his contemporary, Marx, like William Thompson and other men before them, acquired importance by accepting their theory of labor value from the hands of what they call the bourgeois political economy, especially the school of Ricardo; in other words, they discover in the hand of their adversary a weapon whose edge turns against him.

Physical labor—so runs their argument—produces all value, but existing legal institutions compel labor to toil in the service of private capital and deprive it of what it produces; indeed, as productivity increases, labor's share of the national product is becoming constantly less. Hence arises the necessity of socialistic legal institutions which shall place all capital in the hands of the community. The prospect of the realization of such a scheme must, it is true, be deferred for a period of about 500 years. In the mean time, however, preparatory measures are to be introduced, some of which (for instance, Rodbertus' normal day of labor) appear almost

more difficult of realization than even the whole socialistic scheme of production.

The literary style of Rodbertus is such as to demand considerable mental labor on the part of his readers; repetitions and amplifications are frequent. Although he is a keen and altogether abstract thinker, he by no means escapes serious errors of reasoning. The same sophisms which appeared in the first presentation of his theory of value are retained to the last. They are something as follows: He passes by in silence the fact that Ricardo, in following out Adam Smith's teachings, expressly declares that utility is the necessary premise of exchange value based on labor. He overlooks the fact that nature (material and force) is in an essential degree limited relative to the wants of man—a principle which Ricardo strongly emphasized as regards land, the economic character of which is thereby explained; therefore, the co-operation of nature is not, as Rodbertus so often asserts, gratuitous, but is an element which must be taken account of in discussing the production of value. He is mistaken in regarding manual or "muscular" labor as a sole reason for "costs" and asserting in regard to the share which mind has in production that this is not "an outlay." The underlying idea here is that muscular exertion requires, by the laws of nature, a physiological restoration of strength expended. But the inventive and executive activities of the mind are just as dependent on a restoration of physical strength, and it is not true that the mind is "unlimited" and "inconsumable." On the contrary, no form of labor, whether mental or manual, is in itself the occasion of the needed restoration of strength, for life without labor likewise demands such a restoration. Labor in its economic aspects whether mental or physical has its basis

not in nature but in civilization; it does not depend on physiological but on psychological reasons. Moreover it is not possible in any case to separate mental from physical labor; for the simplest operation in which the use of the muscles is guided by any trace of thought is a combination of both kinds of labor.

The wide-spreading or perhaps widely spread importance of this socialistic theory of value which we meet with in Marx and others, as well as in Rodbertus, has led us to devote a few words to it here passing on, as we must now do, to the other socialists.

Karl Marlo (a pseudonym for Winkelblech, 1810-1865) began in 1848 the publication of a comprehensive work entitled "*Untersuchungen über die Organisation der Arbeit oder System der Weltökonomie*" (Investigation of the Organization of Labor or System of the World Economy). It appeared in a long series of parts down to 1854, but attracted little notice, although Roscher in his "*System der Volkswirtschaft*" devotes some attention to Marlo, and Rau had made mention of him. It was A. Schaeffle who, by referring to this work in emphatic terms of high admiration and acknowledging his own indebtedness to it in many essential portions of his "*Kapitalismus und Socialismus*," first brought Marlo into prominence again, aided, however, by certain favorable tendencies of the times such as had been lacking when Marlo's work first appeared. Thus it has come to pass that quite recently a second enlarged edition of his work in four volumes has been published. (Tubingen, 1884-85.) The first volume contains an historical introduction to political economy, the second a history and criticism of economic systems, while the two remaining volumes give the author's own system elaborated but not completed.

Marlo's great merit, in contrast with the other socialists (Rodbertus, Marx, Engels, Lassalle, George), consists in the stress which he lays upon the Malthusian law of population and in the practical conclusions he deduces from it, which, although exaggerated, are noteworthy in contrast with the fundamental error of other socialists who ignore the law. Any serious discussion of the lot of the toiling masses must start with an insight into this great natural law, which can indeed be counteracted by means of moral forces but not by ignoring its existence.

In Marlo's work the great questions of the principles of liberty and equality form the main topic of discussion. These themes are introduced in a connection similar to that found in the older socialists, but are discussed with greater moderation and calmness. Marlo was originally a naturalist, and with the habits of methodical thinking thus acquired he took up the consideration of these subjects, to which he was attracted by his philanthropic impulses; but in fact he never became quite at home in this field of investigation.

The recognition which he failed to obtain during his lifetime was freely accorded and from many quarters after his death.

In Rodbertus we have not the radicalism and active hostility toward existing conditions which characterizes other prominent socialists. He passed his life in rural retirement devoting himself to his science. As a young man he was even privatdocent in the University of Heidelberg. His participation in public affairs was only temporary, and furthermore, his attitude in Prussian politics associated him closely with the conservative party. He ambiguously defines his tendency in social questions as "social-conservative." When, however, we come to consider Marx, Engels and Lassalle, and we may

include the latest American representative of socialism, George, we find that they are all thoroughgoing and efficient agitators, belonging indeed to the extreme left of political parties.

Karl Marx (1818-1883) was for almost forty years a radical and socialist whose field of activity as writer and agitator was international, extending to the different lands in which he lived. His literary activity began with the appearance of the *Deutsch-französische Jahrbücher* (1844), which he edited with Arnold Ruge. He first published in 1847 a considerable socialistic work, written as a reply to Proudhon, and entitled "*La Misère de la philosophie*"* The same year, in co-operation with Fr. Engels, he prepared the "Manifesto of the Communists," which was issued in 1848, immediately after the February revolution. This brilliantly-written manifesto is something more than a criticism of existing conditions and an appeal to the "proletariat of all lands" to unite; it is also an historical sketch of social development treated in the light of "the materialistic conception of history" and a literary-historical criticism of the previous tendencies of socialism. It is significant not only for its acrimonious tone, but for its open confession of revolutionary aims. One who has read it encounters in the later and more voluminous writings of Marx no train of thought with which he is already acquainted; but these later works, in contrast with the *Manifesto* and the minor productions of the author, are written in as clumsy and unenjoyable a style as German erudition ever produced. In 1872 the *Manifesto* was reprinted.

In 1859 Marx published his "*Zur Kritik der politischen Oekonomie*," an imperfect production, the precursor of his main work, "*Das Kapital, Kritik der politischen*

* Translated into German, preface by Fr. Engels, 1885.

Oekonomie," of which volume one, "*Der Productionsprocess des Kapitals*," appeared in 1866 (second edition revised and improved, 1872; third edition, 1883, brought out under the supervision of Engels). Marx did not live to complete the work, but it has been proposed to publish a second volume from the manuscript he left behind him.

It has long since been remarked that this work is a combination of two dissimilar elements; the text is in part made up of abstruse dialectic reasoning, spiced with coarse witticisms; but this is interspersed with historical and realistic passages which are the results of positive research. Especially noteworthy is the author's familiarity with English blue books, reports of factory inspectors, parliamentary investigation of social conditions, etc.,—materials which, it hardly need be said, are always brought to the support of his dialectic reasoning, and only for the purpose of confirming the proposition therein developed. It sometimes happens that the author involuntarily forgets himself and is carried away by his materials, as when, for instance, he breaks out in unqualified praise of the English factory laws and inspection system, unmindful of the fact that the success of such measures is wholly inconsistent with the materialistic conception of history and with that merciless process of nature by which, according to his theory, capitalistic production is carried on.

With all the learning and power of abstract thinking which Marx possessed, we must deplore, even more than in the case of Rodbertus, that perversity of intellectual keenness, by which this learning was diverted into wrong paths. Less open to the idea of patiently developing the existing order of society than was Rodbertus, less hopeful of any gradual reform of particular

evils, Marx presses on with furious impatience toward the goal of a revolution, which by transferring all the means of production to the state, shall transform the existing capitalistic methods of industry, and thus terminate the exploitation of labor through the private management of capital.

There are minds which lack the sense of proportion as regards history. They construct a philosophy of human development which in a rough way does justice to the fact of progress; but they have no appreciation of the tortuous path along which the human race, under its natural limitations, and with its moral impulses, has painfully toiled to a higher level of existence. They are fond of dwelling upon the inevitable results of the mechanical laws of history; but nothing is so inconsistent with this necessity as the sharp contrast between their future systems on the one hand, and the existing condition and previous development of society on the other. Practically this inconsistency finds expression in the cynicism with which they confront the slow movement of reform, as it actually takes place in history, and scorn all labor devoted to transforming the controlling moral forces of society.

This mental disposition was common to both Marx and Rodbertus, widely as the two men differed in character and political views. The former was more violent and irresponsible, an expatriated conspirator; *

* What the limits of allowable freedom were in the matter of international agitation, Marx learned on more occasions than one, not only in continental countries, but in England as well. The Communist League of London, which was founded in 1840, and in 1847 became the centre of the International Congress for the preparation of the *Communist Manifesto*, was abolished by the government in 1848, in connection with the measures adopted to put down the Chartist movement. The "Alliance of the Just," which belonged to the League, was dissolved in 1849, whereupon many of its members emigrated to America. See report of K. Marx, on the occasion of the Thirty-sixth Anniversary of the founding of the Communist League for the Education of Workingmen, held in London, February 7, 1876, (in *Volksstaat* for 1876).

the latter more cautious and profound, a man connected with the interests which were dominant in existing society. Both alike play the trump card of the demagogue, by asserting that the social question is only a bread and butter question. This crude standpoint is very far from having even the merit of novelty; for it is precisely the standpoint to which the English and French school of political economy had degenerated, and which any rational treatment of these questions must contend with if the better traditions of the science are to be restored. Like the descendants of the orthodox school, these socialists did not separate economics from ethics without falling into the disagreement and inconsistencies which the obscurity of such a standpoint involves.

An old comrade of Marx, Friedrich Engels, is the sole surviving representative of the German literature of scientific socialism. At the outset he entered the contest side by side with Marx, assisting him in the publication of the *Deutsch-französische Jahrbücher*, and in the issue of the *Manifesto*. About the same time Engels published his work, "*Die Lage der arbeitenden Klasse in England nach eigener Anschauung und authentischen Quellen*" (Condition of the Working Classes in England, 1845, 2d ed. 1848). This book—like Marx's work on *Kapital*, which appeared twenty years later—seeks to appropriate from English materials everything which will darken the picture of the industrial conditions. While, however, this tendency is common to both writers, Engels is inferior to Marx in the thoroughness with which the task is performed, at least in so far as the quantity of materials used is concerned. But in the meantime the attention which Engel's work aroused in Germany was the merited recognition which optimism

was compelled to make of this disclosure of the dark side of the new industrial order. The social revolution, however, which Engels prophesied for England did not take place.

In later years, after the lapse of a generation, Engels, aroused by polemical criticisms, first brought out in the columns of the *Volksstaat*, a social-democratic journal, and afterward published in book form a considerable work under the title of "*Herrn Eugen Dühring's Umwälzung der Wissenschaft, Philosophie, politische Oekonomie, Sozialismus*" (Herr Eugen Dühring's Revolution of Science, Philosophy, Political Economy and Socialism). This book illustrates the truth, so often confirmed by experience, that all knowledge is so plastic in its nature that the forms, in which it is expressed may depend on the subjective environment of the writers, on the audience they address, and the contrast between them. In this instance a very advanced Social-Democrat opposes a writer of admirable intellectual powers who by peculiar endowments and the force of circumstances has been carried to such an extreme of radicalism that in contrast with him, a man like Engels becomes a sober historical critic. Especially significant is the way in which Engels discusses his opponent's purely abstract idea of equality; he shows how equality is dependent on historical conditions, he traces out the necessary and gradual evolution of the idea through the different stages of inequality, and justifies slavery as an indispensable condition of ancient civilization. "It is all very easy," he says, "to break out in a general condemnation of slavery and such things, or give vent to one's high moral indignation over abominations of that kind. . . . But in all this we learn nothing as to the origin of such institutions, the cause of their continuance or the rôle they

have played in history; and when we come to consider these questions we are compelled to say, however inconsistent and heretical it may sound, that under the conditions of those times the introduction of slavery was a great advance, . . . so long as human labor was still so unproductive that it yielded but little surplus above the necessary means of existence, a greater division of labor was the only means by which any increase of productive power, expansion of trade, development of state and law, or foundation of science and art was possible. The fundamental division of labor must be that between the masses engaged in ordinary manual toil and the privileged few devoting themselves to the work of direction and oversight, to trade, public affairs and, later, to science and art; slavery was just the simplest and most natural form this division could assume. Under the historical conditions of the ancient—especially of the Greek—world, slavery alone made it possible to advance to a form of society based on class distinctions.”

Engels’ book, from which we have taken this extract, is admirably written. A second volume of this work is promised in his preface to the third edition of Marx’s “*Kapital*.”

Ferdinand Lassalle has less significance in the literature of scientific socialism than in the history of the Social Democratic movement. Not that he lacked a scientific education or made no contributions to science. On the contrary, he was very gifted, made a profound study of philosophy, jurisprudence and political economy, and produced philosophical works which are excellent. But as regards political economy and socialism, there is hardly a passage in anything he has written which has any scientific importance, compared with the writings of his predecessors and contemporaries whom

we have mentioned. All the more significant, however, are the effects which the brilliancy of his style, the fervor of his eloquence, and the boldness of his sophisms produced in the work of propagandism.

The progress of his agitation, from its imperceptible beginnings to its subsequent remarkable strength, has become the subject of an extensive literature, without even yet a satisfactory appreciation of his personality in the socialistic movement.*

His social democratic agitation was preceded by the production of two philosophical works: "*Die Philosophie Herakleitos des Dunkeln*," 1858, and "*Das System der erworbenen Rechte, eine Versöhnung des positiven Rechts und der Rechtsphilosophie*" (System of Acquired Rights, a reconciliation between positive law and the philosophy of law, 1867, second edition, with a preface by Lothar Bucher, 1880). Both works were written under the spell of the Hegelian dialectic. They were followed by a long series of social political pamphlets†, of which the most voluminous and important are "*Die indirekte Steuer und die Lage der arbeitenden Klassen*," (Indirect Taxes and the Condition of the Working Classes) a defence before the *Kammergericht* in Berlin (1863), and "*Herr Bastiat-Schultze von Delitzsch, der ökonomische Julian oder Kapital und Arbeit*" (Herr Bastiat-Schultze von Delitzsch, the Economic Julian, or Capital and Labor, 1864).

* J. E. Jörg, "*Geschichte der social politischen Parteien in Deutschland*," 1867. B. Becker, "*Geschichte der Arbeiter-Agitation Ferdinand Lassalle's, nach authentischen Aktenstücken*," 1874. F. Mehring, "*Die Deutsche Socialdemokratie, ihre Geschichte und ihre Lehre*," 1877; third edition, 1879. Georg Brandes, "*Ferdinand Lassalle, ein literarisches Charakterbild*," translated from the Danish, 1877. "*Une page d'amour de Ferdinand Lassalle*," Recit, Correspondence, Confessions, 1878. Helene von Racowitza, "*Meine Beziehungen zu Ferdinand Lassalle*," 1879. E. v. Plener, "*Ferdinand Lassalle*," *Allg. deutsche Biographie* (1883).

† The social democratic press has done much for their distribution since his death; during the operation of the law against the socialistic agitation it was forbidden to circulate them.

Differing from Marx and his associates, Lassalle proposed to carry out his reforms in behalf of the workingmen, through the aid of the existent State and in fact the Prussian State. He adopted Louis Blanc's proposal that the State should make use of its credit to found productive associations as a first step toward the solution of the social question. In his bitter criticism of prevailing conditions, he appeals chiefly to the concessions made by the "classical bourgeois political economy," and especially by Ricardo, who, it is alleged, established the "iron law of wages." In truth what Lassalle asserts was never postulated on the one hand nor admitted on the other, by Ricardo.* What the latter did establish was the law of population which lies at the bottom of the so-called iron law of wages.† But Lassalle did not recognize the true significance of this law, which will not cease to act because of the institution of any productive associations or the abolition of the capitalistic method of production.

I have had to refrain on the present occasion from mentioning other socialists beside the prominent names of French and German literature. Incidentally, however, some allusions have been made to the philanthropist, Robert Owen. His first work, "New View of Society, or Essay on the Formation of Human Character" (1812), contains the main principles of his ethical doctrine. Man is regarded as the innocent creature of circumstances and a corresponding degree of charity is demanded for him. It is the same ethics which with more sharply drawn conclusions has since come to be accepted by the

* Cf. Cohn, "*Volkswirthschaftliche Aufsätze*," p. 373, *et seq.*

† Engels now claims that in his "*Umrissen zu einer Kritik der Nationalökonomie*" (*Deutsch-französische Jahrbücher*, Paris, 1844), he first established the doctrine of the "iron law of wages," that Marx borrowed it from him, and Lassalle from both of them, but that Marx and Engels later departed from it in the sense indicated by Engels, "*Das Ende der Philosophie*," 1885, p. 26, *et seq.*

German socialists as "materialistic." Owen's efforts to promote the theory and practice of co-operation secured him a position in England similar to Fourier's in France; but Owen was more widely recognized than Fourier and exerted, indeed, a greater influence on the subsequent organization of actual co-operative societies.*

In discussing the history of English political economy we have already mentioned Owen's pupil, William Thompson, because, taking Owen's ideas as a starting-point, he makes a distinct effort to enter the domain of science.

The social radicalism of the English working classes and their representatives has scarcely produced another prominent writer worthy to be ranked with the French and German socialists named above.† Chartism, important as it was in the social development, failed to produce any writers on the theory of socialism.‡

For the latest agrarian and communistic movement, which centres in the Irish population (of Ireland and England) the apostle comes from the United States in the person of Henry George. This man, in his work, "Progress and Poverty," addresses himself "to those who, seeing the vice and misery that spring from the unequal distribution of wealth and privilege, feel the possibility of a higher social state and would strive for its attainment." His book has aroused great attention and attained a wide circulation; in London it has for years been sold on the street corners. A number of minor productions, such as "The Land Question," have appeared since then, all written to prove the evils of private

* G. J. Holyoake, "The History of Co-operation in England: its literature and its advocates." Vol i (1812-44), 1875.

† Ad. Held, "*Zwei Bucher zur socialen Geschichte Englands*," edited by G. F. Knapp, 1881.

‡ In the way of biographies cf. "Life and Struggle of W. Lovett in his Pursuit of Bread, Knowledge and Freedom," 1876.

property in land, and urge the necessity of a change to state ownership.

Aside from George's practical position—which belongs to the history of the Irish land question, the most remarkable feature in this personality is the reflection of certain phases of American economic development. In this respect he resembles the late Henry C. Carey, who was for a time excessively admired, especially in America. As writers both are altogether “self-made” men, and in both the conditions of economic life in America, have so to speak, found a naive expression only in different ways and at different epochs. The one was the prophet of an insipid optimism which his natural philosophy has only rendered more tasteless; the other is the apostle of the pessimism which has of late made its appearance in America in marked contrast with the princely munificence of economic productivity in that country. Both are overwhelmed by facts and unable to master them. The charm of studying these writers arises from the historical development mirrored in their works, not from the scientific spirit in which they made use of this development. George's literary style, we may add, is incomparably better than Carey's.

Furthermore in their hatred of English political economy they agree in the spirit of true Americans, like that which is becoming more and more prominent in American journalism, and indicates an inclination toward ideas which are far removed from the ancient reverence for law.*

This brings us to the consideration of the new German political economy.

* See for instance *Atlantic Monthly*, vol. 1., 1882 (Henry D. Lloyd.)

CHAPTER VIII.

THE NEW GERMAN POLITICAL ECONOMY.

About the middle of the nineteenth century the centre of the study of scientific political economy was found in that country to which competent authorities of other lands had long since accorded the foremost place in legal science, ancient and modern philology and historical research. Not that this has occurred in the last decade only, when an Ernest Renan testified to Germany's pre-eminence in these sciences and when an Auguste Brachet dedicated his etymological dictionary of the French language to his master Diez, expressing his profound gratitude by repeating the words which Dante addresses to Virgil, "*Tu duca, tu signor e tu maestro.*" As far back as 1838 a similar recognition of the merits of German scholarship had been obtained and what is more remarkable it was bestowed by philosophy coming from an apparently hostile camp; the well-known pupil of Saint-Simon, Auguste Comte, in that passage in his "*Cours de philosophie positive*,"* where he expresses his indignation over the scholastic discussions of contemporary political economy, adduces as the most striking "among the numerous indications of an important change," "the happy introduction of the historical method" in German legal science.

The very source of this testimony, however, indicates that the features of the new development here referred to are by no means based upon, still less identified with, that alleged opposition between philosophy and history so often insisted upon (by unphilosophical minds). For

* Second Edition vol. iv., p. 197.

no historical school is capable in itself of discovering the point of view from which a science can be reformed. Just as the believers in a revealed religion only substitute another, that is, a popular form of metaphysics for that which is scientific, so, in precisely the same way, the historical school adopts a new and, it must be confessed, very defective philosophy in place of the old. Whoever reads Puchta, Savigny* or others of the leaders, must perceive it; we know moreover that the different branches of the historical school were very strongly influenced by contemporary philosophy, the Tübingian theological school by Hegel, the Berlin juristic school by Schelling; only when the famulus begins his work of drudgery does all philosophy cease, or if he does philosophize it is a great misfortune.

The questions here involved are in truth philosophical questions; if German jurisprudence in the first half of the century failed to recognize this and fulfill its obligations, the science in its latest development has acknowledged the debt and is occupied in discharging it.

What, then, was the aim of the new movement with which the names of Möser, Herder, Wilhelm von Humboldt, Niebuhr, Grimm, Savigny and Eichhorn are associated?

The labors which these men devoted to the investigation of historical life are as grand as their task, viewed from the standpoint since attained, is simple.

The Middle Ages handed down all science to modern times bound in fetters. What Bacon said of the mediæval jurists, and Savigny afterward repeated, *tanquam e vinculis sermocinantur* was true, not only of jurists, but

* Savigny, in his pamphlet which clearly expresses his point of view: "*Vom Beruf unserer Zeit für Gesetzgebung und Rechtswissenschaft*." (On the mission of our times as regards legislation and legal science), starts out from Bacon's idea (as Roscher did a generation later).

of all scholars. A thick cloud seemed to intervene between objects and the thinking mind; but the cloud rested not on the objects but on thought. In a chaos of preconceptions, thought was bound and powerless. The intellectual awakening, generally designated by the French word *renaissance*, as is the way with human progress, was not complete all at once. Step by step it advanced. Prepared by repeated ineffective efforts during the Middle Ages, it first appeared in Italy, spread thence to other lands, only to attain at the height of its influence, a portion of what it should have accomplished. It was something to have cleared away the refuse under which the remains of classic antiquity lay neglected, and to have thus regained the real classic world in its monuments and literature; it was something even if this work of purification stopped half-way, not pressing on to the heights of antiquity, but only as far as the outlying peaks and spurs. The greater task, however, of bringing these purified facts into their proper relations with the whole course of historical development, or attaining a scientific mastery of this material, was by no means accomplished. There was delight and pride when scholars succeeded in assigning to their proper place the Latin writers on Roman history; but to assign historical science its proper place in reference to these writers, was a task which this period was still unable to accomplish; the time for its accomplishment did not come until the nineteenth century, in the generation which produced Niebuhr, Mommsen and Ihering.

Thought unfettered by preconceptions first made its appearance in another portion of the field of science—in the realm of natural phenomena where the subject-matter of study is tangible, and therefore encourages

intellectual independence. The victories won by the investigators of nature during the transition from mediæval to modern times and sealed by martyrdom, gave rise in the course of two centuries to a triumphal procession which compelled everything claiming the name of science to bow down before it. Thus it came to pass that the efforts to find a scientific basis for legal, political and social life were brought under the irresistible sway of conceptions which prevailed in the natural sciences. Only with this complication in view can we understand the legal and political philosophy of "natural rights," which was universally accepted in the seventeenth and eighteenth centuries. For so it is with man and the human intellect: the weapon which delivered him from the dogma of the Middle Ages becomes itself a dogma of the new age. The former was called revelation, the latter natural law. Even to-day French and English science is under the spell of the natural law dogma; in both languages the term "science" as applied to any body of knowledge conveys a bias toward the meaning with which the term is used in the natural sciences.

It has been the task of the historical school to overthrow this dogma of a natural law which obscures the real world of history while seeking to unveil it, and gain an insight into the actual condition of historical life. As might be expected, this was for the most part a one-sided process, and even up to the present time the illusion is prevalent that the effort to discover permanent principles of historical life should be once for all relinquished, and that in the mere narration of historical events we have the science of history. Nevertheless, the success achieved has been such that all one-sidedness and special dissensions lose their importance in face of the real scientific progress. The great tasks which yet

remain unperformed do not detract from the value of what has already been accomplished.

As at the beginning of the nineteenth century the activity of the historical school, in the various lines of study it had taken up, was wholly confined to Germany; a similar development as regards political economy could hardly be looked for elsewhere than in Germany.

It has already been remarked that political economy, outside of Germany and especially in England, had fallen more and more into the hands of business men who had no idea whatever that the underlying principles of the science required any further development. The practical man cares only for what he can use, and masters readily only what serves his purposes. Thus it was with political economy. A wide-spread feeling of uneasiness regarding the stability of the entire structure of economic doctrine first appeared in Germany. This feeling was not confined to outside attacks only, such as we meet with elsewhere, but appeared within the science itself in the utterances of such men as Robert Mohl, Ancillon and Hermann, who continually protested against the notion that political economy was, in its fundamental principles, a completed science.

So it was that in Germany, again, several investigators took up, almost simultaneously, the examination of these fundamental principles; and their well-directed efforts led to more fruitful results than the dry logic of Hermann or the scholastic criticism of Mohl had been permitted to attain. They directly followed the example of the historical school of law and philology.

Here again we have an instructive indication of the way in which our science has been developed by men who have been specialists in other departments of learning, in philology, history, philosophy, or jurisprudence,

before turning their attention to political economy. No formation resulting from grafting the cameralistic art upon the doctrine of natural rights could have given us a science internally capable of any such development as that which we have here. Assistance must come from without. The German political economy of to-day, which gratefully gathers the fruits of half a century of preparation, has little occasion to find fault with the imperfections of these early efforts and beginnings. The history of the science is not concerned with what each individual achieved or with the defects of his achievements, but with the total result of the manifold corrections and completions worked out by many minds which in most respects differed widely from one another.

Lorenz Stein approached the subject of political economy from the side of legal science and legal history. In 1842, he wrote his work, "*Der Socialismus und Communismus des heutigen Frankreichs*," (Communism and Socialism in modern France), as a contribution to contemporary history. In words which sound commonplace to us to-day, but were new and epoch-making then, he demanded that political economy should be broadened into social science. It is a matter of secondary importance that, at that time and later, Stein was of the opinion that this progress would take the form of a new "science of society." We have already pointed out that political economy, if true to its best traditions, is destined of itself to comprise a science of society, or develop into such, and we believe that the facts of subsequent experience confirm our opinion. In any case, Stein's merits remain the same.

At that time he spoke the words which gave to German political economy its characteristic impress, distinguishing it from the socialistic movement and literature,

and placing it in advance of the contemporary schools of France and England. "On Germany," he said, "devolves the noble mission of reconciling in her science all contradictions of the European world. Shall we be mastered by the mightiest contradiction of our times making its appearance in France, because we cannot meet it with any clear conception of the nature and form of the social problem?"

In discussing the socialistic and communistic literature, Stein emphasizes the connection between this literary movement and the social development of the particular nation in which it arises. In this respect he differs from Louis Reybaud, whose treatise on this subject antedates Stein's by several years. Stein seeks to prove his thesis as regards France; but in case of England he delegates the task to other hands. When he comes to discuss the same subject anew, the social-historical method of treating it becomes still more pronounced, and in accordance with the constructive tendency which is predominant in him, he prefixes the words, *der Begriff der Gesellschaft und die Gesetze ihrer Bewegung*, (Conception of Society and Laws of Social Movement), to his *Socialen Geschichte der französischen Revolution*, (Social History of the French Revolution, 1849; Second ed., 1885, 3 volumes.) To the same period belong several productions by authors, whose methods and aims differed from Stein's. Viewed, however, from the standpoint of to-day, they appear as co-workers with him in one common task.

In the foremost rank we must name a man, who shortly before had acquired a reputation by a philological-historical work, and then turned to political economy, Wilhelm Roscher. His "*Vorlesungen über Staatswirthschaft nach geschichtlicher Methode*" (Lectures on State

Economy on Historical Methods), were the outline of his lectures, which instead of dictating as was customary, he had printed.

The brief work thus published, was naturally, in view of its purpose, very meagre; moreover, this attempt to apply the historical method to political economy was only partially successful. In carrying out the end in view, it appeared that in the details it could only be attained with difficulty in face of the serious obstacles to be overcome.

At the same time, the importance of the "outlines" is not due solely to the fact that it was followed immediately by treatises, which fulfilled the promise of "clothing the skeleton with flesh and blood;" for after all, this little treatise in itself was like the egg of Columbus, and the one happy analogy by which Roscher applied the results of the historical school to political economy, was a scientific achievement. The conclusions which he drew from this analogy in regard to the mission of the historical school of political economy, are the same which the historical school of law had drawn for their science a generation previous—even his quotations from Justus Möser and Bacon are borrowed from Savigny; nevertheless, the service he rendered to our science is a great and lasting one.

Roscher's conclusions as to the mission of political economy, were as follows:

(1) The study of the economy of the state is a political science, whose mission is to understand men and control men. Hence, the necessity of investigating the economic ends which nations have striven after and attained, and the reasons why they sought and attained these ends; such an investigation, however, is only possible in close alliance with the other sciences

pertaining to national life, especially the history of law, state and civilization. In addition to this (2) we need, an investigation of the earlier stages of civilization in order to understand the nature of modern civilization; and further of (3) the economic development of different nations, with especial reference to the nations of classic antiquity, whose development lies before us in its totality. (4) Out of all this arises the practical demand which the science makes upon us, viz.: the task of constructing modern measures of economic policy on an historical basis, or in other words, learning what is suited for the present time by studying the historical growth of individual institutions.

It is obvious, Roscher remarks, that such a method seeks to accomplish for political economy what the method of Savigny and Eichhorn has accomplished for jurisprudence.

The writer next in order is Bruno Hildebrand, whose work, "*Die Nationalökonomie der Gegenwart und Zukunft*" (Political Economy of the Present and Future), appeared in 1848. Since Roscher several years before had already emphasized the close analogy of political economy to the historical school of law, all that remained for Hildebrand, in the way of a new contribution, was to emphasize the more remote analogy to historical philology. At the same time it was his intention, as announced in the concluding pages of this work, to develop this idea positively in the form of a discussion of the method of political economy, but he did not fulfill the promise, being prevented by his active life, void of scientific concentration. The result is that in the book in question, which was issued as a first volume, he confines himself to a description and criticism of the history and literature of political economy, devoting the greater part of

his space to the writers who were at that time most prominent in the public view.

The entire political economy of the eighteenth century is disposed of in a few pages (pp. 7-34). The Physiocrats (whom he had evidently never read *) are first discussed together with the mercantilists; then Adam Smith and his school. Then come the writers in whom Hildebrand took a greater interest—Adam Müller, Friedrich List, the Socialists and Proudhon. Superficial though this treatment is,† in two respects, certainly the book is excellent. First in the refreshing independence of the judgment which the author passes upon the literary productions of his day. He does justice to the national system of List and to the economic theories of his times, and then goes on to gather up all previous tendencies of political economy, like rays of light in one common focus. Unfortunately, however, he fails to present his total result. The second commendable feature of this little book is its literary style, which is such as was seldom found in German economics at that time and never before perhaps, if we except the writings of List. The language is clear, simple

* Cf. chapter on French Economists.

† Regarding the accuracy which Hildebrand demanded of the method of political economy and to which he laid claim in his own works, we may form some idea from the fact that Hildebrand had not even half read the little book of Fr. Engels, whom, because of his popular interest, he discusses at length. (More than a hundred pages are devoted to Engels or a more detailed treatment than all political economy up to the time of Müller received.) Hildebrand says of Engels, "He does not build upon the work of his predecessors, P. Gaskell and others, but comes forward as an independent investigator;" and again, "In his introduction he depicts with a few very successful strokes the industrial revolution of England since the middle of the preceding century."

Now the fact is that this very introduction so closely follows Gaskell that whole pages of it are almost a literal translation of Gaskell's book: "Artisans and Machinery" (1836). It is true that Engels omitted to mention the source from which he drew so freely; but when any one speaks so confidently as Hildebrand does of the relationship or independence of two different writers, he should know them both. Furthermore, a little farther along in Engel's book Gaskell is spoken of in terms of praise, and his earlier work on "The Manufacturing Population of England" is cited.

and in good taste. This alone is a sufficient reason for commending this work again and again to the attention of those who are thinking of beginning the study of political economy.

The obligations which Hildebrand failed to meet have since been discharged by Karl Knies in his own way. But what he produced was not really a theory of the method of political economy in the meaning of the historical school; on the contrary, it was a thorough discussion of the points of view to be considered according to the historical method, in distinction from the traditional treatment of the science; it was the completion and execution of the program laid down by Roscher in his "Outlines" (1843). These points of view are the history of the economies of nations in connection with other aspects of national life, the psychological basis of economic transactions, the economic institutions of nations as conditioned by their historical development; the relations of the individual to the community, and the evolution of national economies. In short, the attempt was here made to produce a fundamental work which should break the spell of the old dogma of natural law and natural rights, and liquefy the ethical and historical material which had become fast set in the molds of the old school. In the main, this attempt was successful.

Knies' book is entitled: "*Die politische Oekonomie vom Standpunkte der geschichtlichen Methode*," (Political Economy from the Standpoint of the Historical Method, 1853). A generation has elapsed in which the reputation and influence of this book has steadily increased. The new and enlarged edition which came out in 1883, would, it is true, have been received with more favor in scientific circles, if the material which had been omitted

from the first edition had now been introduced, or on the other hand, if the work had been transformed into a true method of political economy. But be that as it may, Knies' book, from the time of its publication to the present day, has been better fitted than any other to settle the question of what is really meant when one talks of an historical method of political economy. Outside of scientific circles the book would certainly have exerted more influence, had it possessed those formal excellencies of style which we meet with in Hildebrand's writings.

In his work on statistics which appeared in 1850, "*Die Statistik als selbständige Wissenschaft*" (Statistics as an Independent Science), Knies had evinced that peculiar kind of talent which is required for the minute analysis of these questions of method. He was the first to point out the dual meaning of the word statistics as commonly used, and the necessity of distinguishing between two distinct things. On the one hand, the method referred to by the term statistics, and on the other, the statistical data; *Staatenkunde* as understood by the Göttingen school of the eighteenth century. At first Knies was attacked for his views on this question; but here again he came off completely victorious. The writers who came after him, Rümelin, Ad. Wagner and others, have simply followed his lead.

It was these four men, Stein, Roscher, Hildebrand and Knies, who in the period of 1842-53 prepared the way for the German political economy of to-day. They are the ones most worthy of our attention in this connection. As we recede from these first beginnings and approach the present era, it becomes more and more imperative upon us to let that era speak for itself through its own achievements. We shall therefore confine ourselves to what is most essential.

Lorenz Stein continued the comprehensive works which we have noticed as his first fruits, and proved himself one of the most prolific of writers. His significance lies in the fact that for more than four decades he has stood steadfastly as a master in the entire realm of legal and political sciences; he has insistently reminded us of the mutual relations between these sciences; he has combined the old theory of political economy with the broader conceptions of a "science of society;" he has elevated the cameralistic science of finance and police to their proper places in a higher system of knowledge by showing their close connection with law and State. Planned with such bold strokes, his work shows not so much an elaboration of detail, as a laying out of boundaries and divisions of the whole. It is not so much the completion of the work as the rich and thoughtful suggestions which is notable. It is characteristic of Stein that he retains the individual theories of political economy comparatively unchanged, and does not follow the course pointed out by the historical school and by Knies in particular; other men, however, have long since made the deductions which render these theories plastic.

Stein's attitude toward the traditions of legal science is especially commendable. No one else has so often and emphatically reminded us, that "notwithstanding the powerful forces of the times in which we live, the education for public life in Germany in case of the great majority of professional jurists is still, as it always has been confined to the Roman Law, institutes and pandects, which stand in no clear relation after all to the rest of the positive civil law. Equipped with the Roman law, the professional jurist enters the representative assembly of the commune, county, state, or empire. But here they

do not deal with Titus and Sempronius; here the practical questions of public affairs come up for consideration; the communal welfare, the industrial system, the forms and privileges of associations, registration of landed property, the public health, roads, bridges, and a hundred other things must be intelligently considered and acted upon, of what use for this purpose are pandects and institutes?"

Stein's chief work is his "*Verwaltungslehre*" (Theory of Administration), begun in 1868. With all his magnificent talent he has not brought the work to completion. If we compare this work with Robert von Mohl's "*Polizeiwissenschaft nach den Grundsätzen des Rechtsstaats*" (Science of Police on the Principles of the Legal State), we can readily measure the development which this branch of learning has undergone in the hands of Stein. In 1870 he already found it desirable, in order to provide a completed work in briefer compass, to publish his "*Handbuch der Verwaltungslehre mit Vergleichung der Literatur und Gesetzgebung von Frankreich, England, Deutschland und Oesterreich*," (Manual of Administration, with Comparison of the Literature and laws of France, England, Germany and Austria, 2d ed., 1876). But of all his works his "*Lehrbuch der Finanzwissenschaft*" (Textbook on Finance, published in 1860, 5th ed., 1884-85), has had the widest circulation. Besides these works he has written several lengthy monographs in reference to questions of the day. Such are, "*Der Wucher und Sein Recht*" (Usury and its Law, 1880); "*Die drei Fragen des Grundbesitzes und seiner Zukunft*" (The Three Questions of Landholding and its Future 1881).

In his "*System der Volkswirtschaft*," (System of Political Economy), Wilhelm Roscher followed still further

the lines of investigation traced in his "*Grundriss*" of 1843. This work had the sub-title, "Hand-book and Textbook for Students and Business Men." It was to consist of four volumes, three of which have already appeared: I. "*Grundlage der Nationalökonomie*," (Principles of National Economy, 1854; 16th ed., 1882); II. "*Nationalökonomie des Ackerbaus und der verwandten Urproductionen*" (National Economy of Agriculture and of Industries Related thereto, 1859; 10th ed., 1882); III. "*Nationalökonomie des Handels und Gewerbefleisses*," (National Economy of Trade and Industry, 1881; 4th ed., 1883.) The fourth volume, still to be published,* is to treat of the theory of public finance. The wide circulation of these textbooks has been the most effective means of familiarizing the general public with the ideas of the historical school of political economy.

The literary-historical portion of Roscher's "system" underwent a further elaboration in his "*Geschichte der Nationalökonomik in Deutschland*," (History of National Economy in Germany), which appeared in 1874 as a part of the Munich "*Geschichte der Wissenschaften in Deutschland*," (History of the Science in Germany). It had been preceded by his "*Zur Geschichte der englischen Volkswirtschaftslehre*," etc., 1851, (Contribution to English Economic History in the Sixteenth and Seventeenth Centuries). Besides these works, Roscher has written a long series of essays and articles in which his historical method is tested on particular economic questions; these were published in collected form under the title: "*Ansichten der Volkswirtschaft aus dem geschichtlichen Standpunkt*," (Views on Political Economy from the Historical Standpoint, 1861; new edition enlarged, 1878).

*It was published in 1885. *Trans.*

Another work of Roscher's is on "*Kolonien, Kolonialpolitik und Auswanderung*" (Colonies, Colonial Policy and Emigration, 1856; 3d ed., 1884).

One who was not well acquainted with Karl Knies might have inferred that his excellent writings on the method of political economy and statistics were preliminary to historical investigations of his own. This, however, did not prove to be the case. On the contrary, the fine reasoning powers and general culture which he evinced in these earlier writings became the instrument in the production of works which, in their method, stand nearer the old school of political economy than the new tendency which he expounded. His most important works, "*Die Eisenbahn und ihre Wirkungen*" (The Railroad and its Effects, 1853); "*Der Telegraph als Verkehrsmittel*" (The Telegraph as a Means of Communication, 1857), and especially "*Geld und Credit*" (Money and Credit, 1873-1879), show us the former philologist and historian in the midst of the mercantile and commercial affairs of modern life. Whoever has overcome the serious difficulties which the study of these works involves, can but admire the keenness and penetration of reasoning powers, which are far superior to the logic of Hermann and other predecessors. The influence of these writings would have been greater, had Knies not scorned to express himself in simple German instead of apparently going out of his way to avoid simplicity of style, in order to construct the most astonishing sentences and expressions. But these formal faults of style, which we find also in his earlier works, in no way detract from his permanent merits. His treatment of credit, the conclusion to which still awaits us in a volume on the public credit, gives us for the first time a standard work on this subject, and one which will probably remain such for a long time to come.

The later labors of Hildebrand were closely connected with the publication of his journal, of which we shall speak in connection with the entire periodical literature of the science.

The great development of this department of our work is a most welcome indication of the progress which political economy is making in range as well as in thoroughness. For a long time there was but a single journal of political economy. It was small in size and hardly regular in its publication. Then this solitary periodical was combined with a journal of general political science, so that for a decade there was no journal whatever devoted exclusively to economics. Such in brief was the career of the *Archiv der politischen Oekonomie und Polizeiwissenschaft* (Archive of Political Economy and of the Science of Police). It was founded by Rau in 1835. After 1843, it was continued as a "new series," with Georg Hanssen as assistant editor. But in 1853, it was combined with the *Zeitschrift für die gesammte Staatswissenschaft* (Journal of General Political Science), a publication which the Political Science Faculty of the University of Tübingen had founded in 1844.

It was not until 1863, that a second independent journal of political economy appeared; the *Jahrbücher für Nationalökonomie und Statistik* (Annals of Political Economy and Statistics). Edited by Bruno Hildebrand. It was significant of the changes which time had wrought, even in practical political economy, that contemporaneously with this journal, the *Vierteljahrsschrift für Volkswirtschaft* (Quarterly Journal of Political Economy), was started. It was published by Julius Faucher and Otto Michaelis, as the organ of the German Free Trade Party. Hildebrand's *Jahrbücher*, on the

other hand, confined itself to purely scientific ends, giving expression to this purpose partly by the purely historical character of its articles. The editor's articles on the method of political economy, stages of economic development, and similar topics were well-written, clever, but defective efforts. This want of logical clearness the writer sought to atone for by a few small fragments of economic history. As Hildebrand was always ready to sacrifice his best strength in promoting new undertakings, he deserves the greatest credit for having founded this journal under serious difficulties, and maintained it until he could entrust it to stronger and safer hands. In 1872, Johannes Conrad became associate editor, and in 1878 assumed full charge of the work.

But this economic journal was by no means to remain the only one. In the first place at this time the tendency toward political economy in the *Tübingen Zeitschrift für die gesammte Staatswissenschaft* was becoming more and more pronounced, under the controlling influence of Albert Schaeffle (and later, after 1878, of Adolph Wagner). Then with the founding of the German Empire the *Jahrbuch für Gesetzgebung Verwaltung und Rechtspflege des deutschen Reichs* (Annals of Legislation, Administration and Judicature in the German Empire) came into existence edited by Fr. von Holtzendorff. After a short time, in 1877, the word *Rechtspflege*, Judicature, in its title was replaced by *Volks-wirtschaft*, Political Economy. A little later this periodical came into the hands of that competent editor, Gustav Schmoller (1881) and entered upon a remarkably prosperous career. Closely related to the original intentions of the *Jahrbuch*, with its subjects and treatment, is the *Annalen des Norddeutschen Bundes und des Deutschen Zollvereins* (Annals of the North German

Federation and the German Customs-Union). It first appeared in 1868, and in 1870 was changed to *Annalen des Deutschen Reichs für Gesetzgebung, Verwaltung und Statistik* (Annals of the German Empire; a periodical devoted to Legislation, Administration and Statistics). It is edited by Georg Hirth, and contains a valuable collection of materials, as well as a series of critical, and partly also, general more academic contributions.

At the same time a number of statistical journals have sprung up in connection with the more important statistical bureaus of the German States. Especially noteworthy is the one edited by that highly gifted and energetic man, Ernst Engel, the *Zeitschrift des kgl. preussischen statistischen Bureaus* (Journal of the Royal Statistical Bureau of Prussia), established in 1861. The same editor had previously issued the *Zeitschrift des kgl. sächsischen statistischen Bureaus* (Journal of the Royal Statistical Bureau of Saxony). A similar journal for the Bavarian statistical bureau is published by Georg Mayr.

Let us add, and without mentioning other periodicals of less importance, that a journal has recently (1884) appeared devoted to one special branch of political economy: viz., the *Finanzarchiv* (Archives of Finance), edited by Georg Schanz. If, furthermore, we call to mind the periodicals which Austria and neighboring countries publish in the German language we see how marked by contrast is the lack of scientific activity in other nations, and especially in England, once the classic land of political economy, where up to the present hour no economic journal has been published.* The only

*The English now publish two journals, devoted to political economy: *The Economic Journal*, the journal of the British Economic Association, edited by Prof. F. Y. Edgeworth (Macmillan & Co.), and *The Economic Review*, published for the Oxford University Branch of the Christian Social Union (Percival & Co.). Both these journals were started in 1890, five years after Cohn's work appeared. There have also been several new journals started in Germany since the above was written.—*Trans.*

periodical which at all resembles ours is the *Journal of the Statistical Society*, which hardly equals the better class of our achievements in statistical journalism, especially in its palmy days. In France, too, there is only the *Journal des Économistes*, and that is the organ of a sect.

The special journals mentioned above, as well as those of a more general character, like the *Deutsche Vierteljahrschrift* or the *Preussische Jahrbücher*, reveal the scientific growth of the last twenty or thirty years and reflect the condition of German national economy. This busy, active, many-sided participation in the great problems of the science is characterized by the fact that the remoter tasks of scholarly investigation and the burning questions of the day have been co-ordinated, and, side by side, have been brought more and more distinctly within the horizon of the professional economist. We have space for a few more names only.

Albert Schaeffle began by publishing a small textbook on national economy (1858), which he afterward gradually extended and elaborated (second edition, 1867; third edition, 1873). A series of essays, in which with happy appreciation and lively fancy he treats of the inner content of socialism, led up to his first book on that subject, "*Kapitalismus und Socialismus*" (Capitalism and Socialism, 1870). A development and enlarging of it is found in the author's principal work, "*Bau und Leben des socialien Körpers*" (Structure and Life of the Social Body, 1875, *et seq.*). We have here one of the most remarkable attempts to construct from the standpoint of political economy a science of society, following as an analogy the hypotheses of the natural sciences. Besides producing these systematic works, Schaeffle has evinced his great literary fertility in relation to burning questions

of the day, having recently published, "*Grundsätze der Steuerpolitik und die schwebenden Finanzfragen Deutschlands und Oesterreichs*," 1880, (Principles of Taxation and the Impending Financial Questions in Germany and Austria); "*Der corporative Hilfskassenzwang*" (Incorporated Compulsory Relief Funds, 1882), and other works.

Adolf Wagner began his career as an economist, by publishing monographs on credit and moral statistics, which at once attracted attention. He then went on to take up a work of greater scope, viz.: the revision and elaboration of Rau's textbook of political economy. But the task thus begun developed under his hands, until he was led to undertake a large and independent work of his own. He proposed, that is, to publish a textbook of political economy, which should thoroughly discuss legal institutions with a view of providing, as a substitute for the doctrine of the natural rights of the individual, a positive answer to the criticisms of the socialists. The completion of this proposed work—the largest by far that has yet been undertaken in political economy—is not to be expected in the immediate future. The following volumes have appeared; "*Grundlegung zur Volkswirtschaftslehre*" (Fundamental Principles of Political Economy, 1875; 2d ed., 1879); "*Finanzwissenschaft*" (Science of Finance, Part I, 1871-72; 3d ed., 1883; Part II, 1880;* Part III, 1889). Of Wagner's earlier writings we may mention the following; "*Beiträge zur Lehre von den Banken*" (A Contribution to the Theory of Banks, 1857); "*Die russische Papierwährung*" (Russian Paper Currency, 1867); "*Gesetzmässigkeit in den scheinbar willkürlichen Handlungen*" (Uniformity of Law in Apparently Arbitrary Actions, 1863); an article on

* Second edition, 1890.—*Trans.*

"Statistics," in the *Deutschen Staatswörterbuch*, in 1867; and "*System der deutschen Zettelbankgesetzgebung*" (The System of Legislation in Germany regarding Banks of Issue, 1873).

Gustav Schmoller has been from the first an outspoken advocate of historical investigations, which, however, he supplements by philosophical studies, thus refuting the old erroneous impressions in which it is assumed that the historical and philosophical methods are two distinct things. He began with an essay on economic ideas in the time of the German Reformation, 1860; he then approached the modern industrial question in his excellent book, "*Zur Geschichte der deutschen Kleingewerbe im neunzehnten Jahrhundert*" (History of the Smaller Industries of Germany in the Nineteenth Century, 1870); but he soon changed his line of study, centering his efforts upon a history of the Prussian administration. Portions of this history have appeared as a series of articles contributed to the *Preussische Jahrbücher*, to the *Zeitschrift für preussische Geschichte*, and recently to his own *Jahrbuch*. Besides these works he has published, as a result of his study of the Middle Ages, "*Die Strassburger Tucher- und Weberzunft, ein Beitrag zur Geschichte der deutschen Weberei und des deutschen Gewerberechts vom XIII. bis XVII. Jahrhundert*" (The Weavers' and Cloth Makers' Guild of Strassburg; a Contribution to the History of the German Weaving Industry and German Industrial Law, from the Thirteenth to the Seventeenth Centuries). This work, consisting of documents and explanations, together with a glossary and index, appeared in 1879. Furthermore, in close connection with these studies, Schmoller has edited a collection of historical investigations by other writers in the "*Staats- und socialwissenschaftliche*

Forschungen " (Investigations in Political and Social Science), of which four volumes have been issued since 1879.

The need of some compilation containing, so far as possible, contributions from all prominent specialists which had long since been apparent in other departments of science—in the natural sciences, in medicine and then in jurisprudence, at last came to be felt in political economy. Thus, the inevitable consequences of the increasing division of labor become apparent as the science develops. From one point of view this tendency is a good thing, from another, not; it signifies a greater familiarity of the specialist with his own department, but it also means a lack of unity.

The need we refer to has been met in a most acceptable manner by the "*Handbuch der politischen Oekonomie*" (Manual of Political Economy), a work edited by Gustav Schönberg, with the assistance of a large number of able scholars (1882; 2d ed., revised and enlarged, 1885).

If now we turn our attention away from these monuments of the development of the German political economy of to-day, to consider the most salient characteristics of its contents, we shall find them to be something as follows:

First of all, this recent development is distinguished by a change in the nature of the ultimate questions which the science discusses. They have become more profound and fundamental. Great as the diversity between the different schools and different men may be, all (if we except, perhaps, a few disciples of Rau and Hermann, would agree that "Investigations in Political Economy" must have some other basis than the cameralistic logic found in Hermann's book, whether we take the first edition of 1832, or his more diffuse but unimproved

treatment of the subject in the edition of 1870. However sharp the divergencies and contrasts between different individuals may at times prove to be—a want of agreement all the more inevitable just because it rests upon differences in natural traits of character—and whether the controversy rages about the construction of a new system or about the explanation of a past epoch, all disputants alike would admit that for the “why” of the science one must delve somewhat deeper than has hitherto been done. To take an instance, if the problem was that of caring for the poor they would agree that something more is requisite for its solution than a few platitudes such as Rau lays down when he says that: “the support of the poor is often undertaken by private charity, the church likewise devotes more or less attention to this work, but at the same time the co-operation of the State is also indispensable.” They would agree that this question first becomes capable of a scientific development when the complacency which is satisfied with such industrious compilation has given place to discontent over the problem which is here presented.

As a result of this increasing profundity in our science the past system of ethics with its unalterable principle of self-interest and its natural laws—a system which was either uncritical or incapable of criticism—has been relegated to the position long since assigned it by other German sciences, especially by the philosophy of a century. As is always the case when research becomes more profound, the discovery has been made that what the old school accepted as axioms mark the points where the most serious problems of the science first make their appearance. That which to the superficial glance seemed firm and solid proves on investigation to

be unstable and yielding. In this connection the mechanical juxtaposition of individual and community, of natural law and State first became intelligible; what had so long seemed an inconsistency, an exception, now became the normal precipitate of ethical action.

The field of labor thus became so much more extended that there was room to admit quite diverse tendencies and lines of study and still have plenty of space unoccupied. Whether the aim be to throw light upon the newly awakened nature of the economic man by means of special investigations, or to construct a social system which shall place him in his true relations to society, the task is one which properly belongs to the new political economy.

At the same time it is a necessary condition of progress in any science that the method pursued shall be improved, whatever portion of the subject may be under investigation; the reasoning must become more accurate and the proofs adduced more convincing. The incompleteness of all knowledge implies, as we have seen, that this progress must be endless and that each new advance is but a modest achievement. But the objective modesty of a new discovery is not always attended by a corresponding subjective modesty on the part of the discoverer, for it is only human for the subjective feelings to overvalue the extent of the new acquisition, every new doctrine and new method rides for a time the high horse of youthful pride. We have had some experience of the truth of this in the science of statistics, but have now happily recovered from the intoxication of overweening youth; more mature and sober reflection has humanized the impetuous undisciplined impulses of earlier years. Our experience as regards the historical methods of investigation happens to be different and yet not altogether dissimilar; for in view of the great and

glorious conquests to be won here, we have sometimes forgotten to measure the wide distance intervening between the scanty evidences of the past and the real past.

But, taken all in all, the condition of the German national economy of to-day furnishes so little ground for discouragement, and gives so strong an impression of healthy and vigorous growth, that the dissensions and inconsistencies in many departments of the science do not weaken, but only confirm our faith in it. Whoever only looks on, and derides the crudity of the science, shows that he has no conception whatever of what a science is and ought to be.

The recent development of political economy is so closely associated with the German science that up to the present hour the principal seats of the old doctrines, England and France, have been very little affected by it. As regards our science, both these countries have for a long time reminded us of those heirs of a rich ancestry who have forgotten the duty enjoined in the precept: Earn what thou hast inherited from thy fathers in order to possess it. For they have not understood how to improve the wealth which the past has handed down to them, but more and more have come to treat their heritage as an object of lazy enjoyment and everyday use. It is especially significant of this condition of affairs that the literature and agitation of the socialists, while acting essentially as a ferment in the development of the German science, have had no such effect on the political economy of England and France; in these countries, notwithstanding the notable efforts of Mill and men of his type, any socialistic tendency is still generally regarded, even to-day, as nothing else than apostasy from the true faith. And we have perhaps a striking indication of the tone and quality of economic

study among the French and English in the fact that their utter lack of any acquaintance with German political economy is for the most part due to their ignorance of the German language—a poor reason, which to a German scholar seems almost ludicrous.

However, so far at least as the English are concerned, our science can find consolation in the situation of its related sciences. Gneist and Pauli have sighed repeatedly over the condition of English legal, political and historical science, and it would be unreasonable to expect anything better for our own science in view of its peculiar difficulties. Nevertheless within the last decade a progressive movement has set in, confined at first to a few thinkers, which is in the direction of a study of legal and economic history, and thus bears a close inner resemblance to the movement which was long since set on foot in Germany. As representative of this new tendency, the names of Sir Henry Maine and Thomas Edw. Cliffe Leslie are worthy of special mention. Maine acquired distinction as a legal historian by his investigations of the development of the system of land ownership in East India and in Ireland;* his pupil, Leslie, devoted himself to economic history, applying similar modes of study to special practical questions and coming into actual contact with German political economy.†

Leslie published two volumes of collected essays and was engaged upon a great historical work when sickness and death interrupted his labors (1882); the volumes he published were; "Land Systems and Industrial Economy of Ireland, England and Continental Countries,"

* "Village Communities in the East and West;" "Ancient Law;" "Early History of Institutions."

† "Very few, if any, save myself, living English economists ever saw a German economic work, and I doubt if one among the best known writers on the subject, Fawcett, Cairnes, Jevons, knows a word of German." (Leslie in a letter to the author, October 21, 1873.)

(1870), and "Essays in Political and Moral Philosophy," (1879). He follows the methods of Adam Smith and Malthus, as against the school of Ricardo, which had become dominant in the later English political economy. Two English writers before Leslie had, like him, adopted the position of Adam Smith, emphasizing the necessity of supplementing the prevalent economic doctrines with historical and statistical investigations and devoting themselves to such work. One was Thomas Tooke, who wrote the "History of Prices and the State of the Circulation from 1793 to 1837" (1838). A continuation of this work, bringing it down to 1856, was written by W. Newmarch. The work was translated into German by C. W. Asher (1858). The second writer to whom we refer is J. E. Thorold Rogers, author of the "History of Prices and Agriculture,"* a documentary work extending back to the Middle Ages.

Four volumes have appeared (1866-1882) covering the period from 1258 to 1582, and a continuation of the work, bringing it down to 1702, still awaits us.† Rogers has given us a summary of these volumes in his book, "Six Centuries of Work and Wages, the History of English Labor." But how little effect these historical investigations have had in weakening the hold of the main principles of the old school is apparent when we read Rogers' "Manual of Political Economy for Schools and Colleges,‡ 1868; or better yet,

* "A History of Agriculture and Prices in England from the year after the Oxford Parliament (1259) to the commencement of the Continental War (1793)." Oxford: Clarendon Press.

† It was published in 1887 in two volumes (v and vi). The work will be concluded in two more volumes, bringing it down to 1793. *Trans.*

‡ We encounter a parallel case about the beginning of the nineteenth century, when the scholars of Göttingen, such as Sartorius, engaged in investigations in economic history and at the same time reproduced the teachings of Adam Smith without the least indication of independent thought. Here again we have an illustration of the relative and fragmentary character of every advance in science; historical views must find acceptance with several generations before they lead to conclusions which will affect the status of economic theory.

Newmarch's free-trade speeches, whose platitudes, notwithstanding the emphasis laid upon the "inductive" method, give no indication whatever of any reform of the science.

At the same time there were other writers who contributed to the progress of the old school by means of improved logic, namely: William Thomas Thornton, "A Plea for Peasant Proprietors," (1848, 2d ed., 1874); "On Labour," (1869 2d ed., 1870); "Indian Public Works," (1875); J. E. Cairnes, "The Slave Power," (1863); "The Logical Method of Political Economy," (2d ed., 1875); "Some Leading Principles of Political Economy Newly Expounded," (1874); and W. Stanley Jevons, "Theory of Political Economy," (1871); "Primer of Political Economy," (1878). Far removed from the traditions of the old school is the standpoint of David Syme, in his article in the *Westminster Review*, for 1871, on the "Method of Political Economy" and in his "Outlines of an Industrial Science," (1876) so far indeed that he avoids the term, political economy, as being too indicative of the traditional content of the science.

Unfortunately, the majority of these writers have died within the last ten years: (Cairnes, Thornton, Leslie, Jevons, besides Bagehot, Newmarch and Fawcett). Quite recently a moral philosopher, Sidgwick, author of a work on "Ethics," has published a "Principles of Political Economy," revealing indications of acquaintance with a few German writings. The best known English philosopher of the present day, Herbert Spencer, has shown his interest in our science by publishing a few years ago an essay on the "Morals of Trade;" but unfortunately, like the English Comptists, with whom he is so closely allied, he abstains from applying his criticisms of the

old political economy to a transformation of its fundamental principles.*

Of the younger generation, two men are worthy of mention as economic historians: Cunningham, "Growth of English Industry and Commerce" (1882) and Toynbee, "Lectures on the Industrial Revolution in England," (1884). But Toynbee is already numbered among those writers whom death has taken from us. We may mention also D. Mackenzie Wallace, who in his "Russia," (1877, 9th ed., 1883), has proved himself an excellent observer of economic conditions in a foreign land.

We conclude, then, that there are signs of a new movement in England, but that a thorough-going reform of political economy is as much needed there to-day as it has been for decades. The first serious indication of such a reform will come when some generation of Englishmen succeed in breaking through the barriers of their insular self-satisfaction, and really undertake to master German economic science, just as English students of to-day are coming to our chemical laboratories to study the aniline dyes.

After the severe self-criticism of French political economy by Léon Say, it is hardly necessary for us to repeat his thought in other words. This very confession, coming from the midst of the old school, is a sign of a troubled conscience and a promise of future progress and reform. It is like a breath of fresh air in the midst of the lamentations which we have long since been accustomed to hear proceeding from these quarters, and especially from the columns of the *Journal des Économistes*. Such lamentations over the degeneracy

* He agrees with Stuart Mill in his argument against private property in land. Similar tendencies are not infrequent in modern England. Thus in the work of the naturalist, Alfred Russell Wallace, "Land Nationalization," 1882.

of the age are usually the last gaspings of a race which is dying out.

In special subjects, France as well as England has produced writers who are preparing the way for a reformation. We would give prominence to the following names: Léonce de Lavergne, who has achieved a great success by his realistic treatment of the condition of agriculture, "*L'agriculture et la population*" (1857); "*Essai sur l'économie rurale de l'Angleterre, de l'Ecosse et de l'Irlande*" (1854); "*Economie rurale de la France depuis 1789*" (1860, 3d ed. 1866); E. Levasseur, "*Histoire des classes ouvrières en France*" (1858); "*Histoire des classes ouvrières depuis 1789*," (1867); F. Le Play, "*La réforme sociale en France*" (1864); "*Les ouvriers européens*;" "*L'organisation du travail*" (1870); Paul Leroy-Beaulieu, "*Traité de la Science des Finances*," (1877; 3d ed., 1883).

While these writers, and others like them but of a more practical tendency, such as Parieu, "*Traité des Impôts considérés sous le rapport historique, économique et politique en France et à l'étranger*," (1862-64, 2d ed., 1866-67), are preparing the way for a renovation of the science, yet for the most part they are still held fast by the doctrines of the old school. We see this in Leroy-Beaulieu, whose meritorious work on "Finance," like his production of a somewhat earlier date, "*Le travail des femmes au XIXe siècle*," shows how completely he is enchained by the most narrow-minded individualism; so that, for instance, he argues against progressive taxation by asking what would be said of a storekeeper who accepted different prices from different customers for the same commodity. The French economic literature has, however, been enriched by the contributions of a Belgian economist, who—*rara avis*—understands at least the general purpose of the new German political

economy. We refer to Émile de Laveleye. Through his numerous essays, which were issued side by side with discussions of political topics in general, and are hence more significant in their range than in their thoroughness, he becomes a valuable interpreter of German economic literature. His most important work in this connection is "*De la propriété et de ses formes primitives*," which was translated into German by Karl Bücher, in 1879.

Besides these economists, economic historians of eminence have by no means been lacking in France. We may mention (in addition to Levasseur, whose name appears above), Augustin Thierry, who belonged to an earlier period and whose name we have already connected with the socialistic school of Saint-Simon. His "*Essai sur l'histoire de la formation et des progrès du Tiers Etat*" (1853, nouvelle edition, 1875), summarizes the results of all his labors in French history. He is the leading representative of accurate and careful historical investigation in France. Then there is that strange man, Alexis de Monteil, who in poverty and isolation collected an enormous mass of old documents and worked out, in unpretentious form, a history of the civilization of his fatherland in distinction from what he calls the customary *Histoire-bataille*. He assures us that he has reconstructed the last five centuries out of their own ruins, and that he does not make a single statement which does not rest upon proof. The work was entitled, "*Histoire des Français des divers états ou Histoire de France aux cinq derniers siècles*" (4th ed., 1853, 5 volumes). Again there is Pierre Clément who deserves credit for having edited the documents pertaining to the administration of Colbert. "*Histoire de Colbert et de son administration*" (1846, 2d ed., 1874);

"*Histoire du Système protecteur en France depuis le ministère de Colbert jusqu'à révolution de 1848*" (1854); "*Lettres, instructions et mémoires de Colbert*," (1861-1873). Finally Serrigny who wrote "*Droit public et administratif romain ou institutions politiques, administratives, économiques et sociales de l'empire romain*" (1862).

Of the more recent economic historians the following deserve mention: G. Fagniez, "*Etudes sur l'industrie et la classe industrielle à Paris au XIIIe et au XIVe siècle*" (1877); Abbé Hanauer, "*Etudes économiques sur l'Alsace ancienne et moderne* (vol. I: *les monnaies*, vol. II *denrées et salaires*," 1876-1878); J. Delaville le Roulx, "*Régistre des Comptes municipaux de la ville de Tours*" (1878-1881).

It is a significant fact that the French science bids fair to come into first contact with the German along the line of historical studies; indeed to a certain extent this contact has already taken place. For the *Revue historique*, a scientific journal of recent origin, is connected with German scholarship in much the same way as was the older *Revue critique*, which was founded by philologists of the so-called "German school."

On the classic soil of Italy the renewal of political life has been followed by a remarkable out-pouring of activity in all fields of scientific research. Political economy has shared in this movement, and as had been the case with other sciences, so here again the great industry of this highly gifted race was devoted in the first place to a study of the German school, thus furnishing the French and English an example of how with resolute purpose the difficulties of a foreign language and foreign modes of thinking may be overcome.

In the last ten years this scientific life of the Italians has been so active and fruitful that it would be difficult to enumerate all names which deserve mention. We

select one, that of an author who is an excellent interpreter of German studies, Carlo F. Ferraris (*"Saggi di Economia, Statistica et Scienza dell' amministrazione, 1879-1880"*). Already there are indications that these beginnings will result in an era of great achievements for Italy.

The Americans, too, are seeking with characteristic energy to appropriate all the skill and knowledge which the old world has to offer, and have taken up political economy among the various lines of study which their students are pursuing in Germany. Thus they are bringing about an intellectual relationship of Germany with the United States, which is closer than that with England has as yet proved to be.

If the foregoing paragraphs have given us a glimpse of the extent to which our new political economy has spread in other lands, we must certainly not pass over in silence how far it may be known or strange in its own country.

It lies in the very nature of a science of political life that its promulgation meets with favor and support, not by virtue of its inherent truth, but because of its bearing on the practical needs of life. The early economic doctrines of the eighteenth century have maintained their influence for more than a hundred years, not merely because people love to honor the old and dislike to learn the new, but also for the special reason that the practical content of these doctrines can still be utilized by the present generation, even in England, and still more in Germany. These practical features were incorporated in the form of popular doctrines, incorrectly termed "schools"—if they are schools, they are very elementary—and the public with its subjective view of truth called them new. But in reality, they were nothing

more than extracts from the economic science of the eighteenth century, which had been selected and prepared for purposes of agitation; they were then reiterated as "eternal truths" and "natural laws," in something the same way as the sovereignty of the people appears, as an eternal truth in the constitutional program of all political radicalism.

The educated classes of Germany had just become acquainted with this doctrine when the catchword "Socialism of the Chair" (1872) represented for them all that was unfamiliar in the scientific progress of the professional economists. An understanding of the work of German political economy was still difficult, while an acquaintance with the simple truths of the popular doctrines was easy. There was a group of well-disposed individuals, who had settled down very comfortably, resting upon the harmony between these truths and their business interests; the large manufacturer or banker had become a political economist (*Volkswirth*) by mere force of his self-consciousness (in much the same way as the *bourgeois gentilhomme* of Molière became a writer of prose without knowing it).^{*} Then the announcement comes, that there is still another science, which not only has to be learned, but also seriously disturbs the consciences of owners of property.[†]

It cannot be said that the period of the last ten or fifteen years has been marked by any profounder study of political economy on the part of the "educated"

^{*} From this time on, the representative of our science, whenever he was present in any large social gathering, was always exposed to tedious conversations with people of the class above referred to, who because they have money seriously imagine that they know all about political economy.

[†] It is a significant fact that indignation was aroused because political economy was said to be an ethical science. I was reproached for being the first one to say so (in a lecture at Heidelberg in 1869) which shows how scientific this indignation was. A well-known leader of the free trade party retorted (1872), that a science must be logical, not ethical.

classes; on the contrary the actual course of events indicates a very different tendency. The change of opinions has come by no means, or at least in very small degree, from this quarter, but is a result rather of the influence of men of great authority in practical affairs—men whose lack of scientific reasoning is made good by the genius which they evince in their perception of practical needs. It is the power of these practical movements which has determined the views of the educated classes; those very persons, who ten years ago derided or arraigned the “socialists of the chair,” imagine in all seriousness that they are still adhering to their former convictions, while in fact they have blindly drifted over to a position directly opposed to that which they formerly held.

In the meantime it is no more agreeable to the ear of the scientific man to hear a discussion of farmer's precepts by a farmer who has money than it was formerly to hear about the harmony in the “play of economic forces.” The farmer's precepts are indeed worthy of attention for the mass of experience they embody; but the political economist, like the physicist, feels the utter lack in them of any scientific attitude towards the questions discussed. This lack is proved experimentally by the vague and interminable character of these discussions.

This sketch may appropriately terminate with the expression of our inmost desire that the power of objective thought may be intensified and extended until the economic life of society shall be clarified and cleansed from the passions which now disturb and darken it.

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